



DEPARTMENT OF INTERNATIONAL BUSINESS

Course

Numbers: IBUS/PAD 267.60, IBUS 297.61/PAD 290.60 Summer 2009

Course Title Privatization, Nationalization, and Public-Private Partnerships

Instructor: Robert Weiner, Professor of International Business, Public Policy &
Public Administration, and International Affairs
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Course Objectives:

- ◆ Developing perspectives for analyzing whether and how to privatize enterprises, and how to evaluate enterprise performance after privatization.
- ◆ Providing participants with tools to understand the implications of public-private partnerships.

Course Description:

These two courses (six credits) examine, in an integrated fashion, privatization and public-private partnerships, focusing on the policy process and whether the privatization and public-private partnerships improve the financial and operating performance of formerly state-owned enterprises. The courses analyze the rationale for privatization and supporting policies for reforms. The courses will examine examples/cases drawn from a variety of industries including banking, oil & gas, telecom, and electricity. They provide an understanding of privatization through three perspectives: (1) Management and corporation governance issues after privatization including the impact of privatization and competition on the capital formation, output pricing, and structural change of privatized firms; (2) Effect of privatization on government efficiency, and the effect of the introduction of competition on the public accountability including allocation, distribution, and stabilization; (3) Impact of privatization on consumers in terms of access, reliability, price, quality and distributional equity.

The courses include a one-week trip to the UK to examine the history of the privatization and competition policy over the past quarter century. This will include:

- Analyses of cases of privatization from different industries in UK
- Visits with academics, policy analysts, and business leaders to gain insight into current assessment of privatization as a policy in UK.
- Discussions with UK consulting firms that have been heavily involved in privatization initiatives.

Students will discuss the lessons learned from the UK and explore the implications of the UK experience for privatization and competition policies in other countries.

Course Format:

Because students have different learning and working styles, this course will utilize a variety of learning and teaching formats. We will use lectures, discussions, and case studies. There is a significant amount of reading, as well as a group working paper, and an individual integrative memo, so students are urged to plan their time accordingly.

Because students learn from each other, as well as from the instructors, students are expected to attend all classes. If, due to illness or emergency, you are unable to attend class, please call or email the instructors. Unexcused absences will be handled according to departmental policy. To the extent that missing class affects your ability to participate in class discussions, excessive absences will affect your grade. Students missing class are responsible for retrieving notes and assignments from classmates.

Students are expected to deliver their work on time. If, due to illness or personal emergency, you believe your work will be late, you are advised to discuss the matter with a professor.

Academic Honesty:

Students are responsible for familiarizing themselves with the University's policies on academic honesty and integrity. Using words written by others without proper citation, or passing off someone else's work as your own, constitutes academic dishonesty and will be subject to disciplinary action—beginning with failure of the course. If you have questions regarding the use of materials, please ask.

Work Requirements & Assessments:

IBUS/PAD 267 (seminar here)

Exam	40%	Take-home (sent by email June 29; return July 8)
Group proposal Due June 8	40%	5 pp. + attachments, demonstrating thinking about group's chosen industry (s) and country or countries.
Participation	20%	<u>ATTENDANCE JULY 20 MANDATORY</u>

IBUS 297/PAD 290 (study abroad)

Group project 50% Students will use the materials from lectures, contacts with people and organizations in the UK, and other sources to do a research project on lessons learned from privatization and public-private partnerships in one or more countries, possibly including the U.S., in accordance to their preference. The student research project will:

- a. Identify outcomes predicted by privatization theory and policy analysis, e.g., firm financial performance, consumer prices and access, etc. Then examine outcomes that occurred (or did not occur) in a particular industry and country.
- b. Investigate what happened and compare this with expectations What did not happen? Why not? Discuss explanations for findings.
- c. Identify consequences for future reform efforts.

Group presentation & paper due last mtg, July 20

Reflection memo 30% Individual integrative memo reflecting on the course, including lessons learned from the UK and unresolved issues.
Due July 13

The objective of the reflection memo is to put together the parts of the course in Washington and London, and assess the course's effectiveness at providing the context and content for you to do so. These are personal reflections, not a group project, and should focus on what was important to you. The memo should be about 5 pages (double spaced, 12-point type so i can actually read it) and address some of the following:

What did you learn from the study program in London? What surprised you? Contrast what you learned in Washington to what you heard and found in London; that is, how does the theory you learned in Washington compare to the practice you learned about in London. Reinforcing? Contradictory? Confusing? What did you like and not like about the course? Which visits were useful, and which were not? Redundancies? Inconsistencies? Suggestions for improving the course? Anything else you believe is important to you. Discuss why.

Participation 20%

CLASS SESSIONS

Session 1
(May 19)
**Group
Formation**

Introduction to the Course, Economics and Politics of Privatization and Nationalization

Bremmer, State Capitalism Comes of Age, *Foreign Affairs*, May-June 2009 <http://www.foreignaffairs.com/print/64948>

Megginson, Think Again: Privatization. *Foreign Policy*. Spring 2000

Elliott, Bank Nationalization: What is it? Should we do it? February 2009. Focus on pp. 13-23
http://www.brookings.edu/papers/2009/0225_bank_nationalization_elliott.aspx

Megginson, *The Financial Economics of Privatization*, 2005, Chapter 1

Feigenbaum, Henig & Hamnett (FHH), *Shrinking the State: the Political Underpinnings of Privatization*, 1998, Chapter 2

MEMORIAL DAY
NO MTG (May 26)

Session 2
(June 1)

Firm Ownership, Governance, and Performance

Background on Corporate Governance (If you are familiar with the subject, use as a refresher): Eun and Resnick, *International Financial Management*, 4th ed., 2007, Ch. 4

Megginson, *The Financial Economics of Privatization*, 2005, Chapter 2 and pp. 253-267

Boubakri et al. Privatisation in Developing Countries: Performance and Ownership Effects. *Development Policy Review*. Vol. 26 (3) 2008

Cragg and Dyck. Privatization and Management Incentives: Evidence from the UK. *Journal of Law, Economics, and Organization*, 19 (1) 2003

Bortolotti and Faccio, Government Control of Privatized Firms. *Review of Financial Studies*, forthcoming 2009. Available on-line.

Ang and Boyer, Finance and Politics: The Wealth Effects of Special Interest Group Influence During the Nationalisation and Privatisation of Conrail. *Cambridge Journal of Economics* 31, 2007.

Session 3
(June 8)
**Group Proposal
Due**

Public-Private Partnerships/UK Private Finance Initiative
Guest Speaker: Prof. John Forrer, GWSB and SPPPA

Wettenhall, The Public-Private Interface: Surveying the History, in Hodge & Greve ed. *The Challenge of PPPs: Lessons from International Experience*, 2005

Vining et al, Public-Private Partnerships in the US and Canada, "There Are No Free Lunches," *Journal of Comparative Policy Analysis* 7 (3), 2005

Sadka, Public-Private Partnerships-A Public Economics Perspective. *CESifo Economic Studies* 53 (3), 2007

Forrer et al, Public-Private Partnerships and the Public Accountability Question, working paper, May 2008

Session 4
(June 15)

UK Political Economy; trip preparation

Guest Speakers:

(1) Ms. Lucienne Jugant, GW Study Abroad Office

(2) Mr. Peter Matheson, Economic Counsellor, British Embassy

Feigenbaum, Henig & Hamnett (FHH), *Shrinking the State: the Political Underpinnings of Privatization*, 1998, Chapter 3 (UK)

Parker, Enterprise Sales. In Hodge, ed. *Privatization and Market Development*, 2006. (UK Experience)

Sodaro, *Comparative Politics: A Global Introduction*, 2008, Ch. 16
(UK) (SKIM)

HM Treasury, *Infrastructure Procurement: Delivering Long-Term Value*,
March 2008 (SKIM)

Sessions 5-9
(June 22-26)

Sessions held in London

Newbery, David M. (2000), *Privatization, Restructuring, and
Regulation of Network Utilities*. Chapter 1

Jet-lag Recovery day
(June 29)

Take-home exam emailed, due back by 5 PM, July 8

Session 10
(July 6)

Privatization in the USA: The Case of Passenger Rail
Guest speaker: Edgar Courtemanch, Amtrak

Recommended Readings:

Perl, *New departures: Rethinking Rail Passenger Policy in the Twenty-
First Century*, 2002, Chapter 3,5

Fukui, 20 Years after JNR Privatization, *Japan Railway & Transport
Review*, March 2008 http://www.jrtr.net/jrtr49/pdf/f06_fuk.pdf

Session 11
(July 13)
**Reflection Paper
Due**

Case Study: International Petroleum Industry – Privatization & NOCs
Guest speaker: Dr. Charles McPherson, IMF

“The Changing Role of National Oil Companies in International
Energy Markets,” Baker Institute Policy Report 35, March 2007
http://www.rice.edu/energy/publications/PolicyReports/BI_Study_35-1.pdf

McPherson, “National Oil Companies: Evolution, Issues, Outlook.” In
Davis et al, eds, *Fiscal policy formulation and implementation in oil-
producing countries*. IMF, 2003
<http://books.google.com/books?hl=en&lr=&id=F7jtg1BpJJ0C&oi=fnd&pg=PA184&dq=%22charles+mcpherson%22&ots=OSHUWQstWj&sig=SGqjALWMu5EARzheBFcN9HFzOKg>

Session 12
(July 20)

Group Presentations and Papers Due

2009 London Itinerary Overview

	Sun 6/21	Mon 6/22	Tue 6/23	Wed 6/24	Thurs 6/25	Fri 6/26	
8:30 AM						8:15 Departure Coach to Cambridge University	
9:00							
9:30							
10:00			10:00-12:00	10:00-12:00		10:00-12:00	
10:30			Centre for Cities	Office of Rail Regulation		Transport for London	11:00
11:00			Adam Marshall	John Thomas Paul McMahon	8:30 Departure Coach to Princess Royal Barracks, Deepcut	Julian Ware Matthew Hudson	David Newbery, Professor of Economics and Fellow of Churchill College
11:30					Ministry of Defence, British Army Logistic Corps		
12:00 PM	London Walking Tour (Sue Gil)						
12:30							
1:00							
1:30					Lt. Col. Edward Waite-Roberts		
2:00				2:00-3:30			
2:30				European Bank for Reconstruction & Development	Lunch provided Bolton Arms, Basingstoke		Free Time in Cambridge
3:00				Ralph D'Haas Peter Sanfey	Guided Tour or Free Time in Winchester		
3:30		3:30-5:30			3:30-5:30		
4:00		Regent's			PwC		
4:30	4:30-5:30	Keith Palmer, Cambridge Economic Policy Associates			Paul Davies, David MacGray Matt Snowdon	4:15 Coach Departure from Cambridge	
5:00	Regent's Orientation						
5:30							
6:00							
6:30							
7:00							
7:30							
8:00					8:00-10:30 Open Air Theatre Much Ado About Nothing		