Syllabus

Privatization, Private/Public Partnership and Efficiency

Syllabus

Fall 2013

Moshe Adler

The current budget deficits that local governments face have given new life to the call to "reinvent government." In 2010 Mayor Bloomberg hired the former mayor of Indianapolis, Stephen Goldsmith, famous for having introduced and large-scale privatization and public/private partnerships, to serve as his deputy mayor (Goldsmith subsequently resigned for personal reasons, but the agenda remains). In the same year, the city of Maywood, in California, outsourced all of its services, including its school crossing guards.

Privatization and public/private partnerships are, of course, not new and, like other cities, New York City has also had extensive experience with them. In fact, until the 20th century all government services had to be privatized and today public/private partnership are ubiquitous. They include "public spaces," the conservancies of the different parks, and Business Improvement Districts. In 2011 New York City issued a call for proposals on how to privatize its street parking.

Privatization and public/private partnerships raise questions both about the proper role and obligations of government, and about when public or private production is the better method for the government to use to fulfill these obligations. The course covers the main theories that planners rely on in order to choose between the different forms of service provision, and examines selected cases in light of these theories.

Students will write two papers for the course.

First paper due in the 6th week:

Based on the readings for the first half of the course, analyze the theoretical merits of privatization and private/public partnerships. (5 pages).

Second Paper to be presented during the last class:

A longer paper (7-10 pages) on a topic of your choice in the field of public/private, privatization. A research proposal with a preliminary bibliography is due no later than the 10th class. Student presentations will occur during last class.

In addition there will also be occasional short problem sets, depending on topics covered.

Grade: First paper 20%, second paper 30%, problem sets 25%, class participation 25%.

Books on Reserve:
Moshe Adler, *Economics for the Rest of Us*, The New Press, 2010 (also available as an ebook)


Francis Spufford, *Red Plenty*, Graywolf Press, 2010 (also available as an ebook)

I. Markets and Hierarchies

Price

Spufford, *Red Plenty*, Introduction, Chapter 2


Quality


Sclar, Chapter 5, read whole chapter, with special attention to "Adverse Selection"

Spufford, *Red Plenty*, Chapter 3


Firms


Elliott Sclar, “What’s Competition Got to Do with It? Market structures and Contracting,” Chapter 4

Don't neglect the particulars


II. Government = Distorted Prices, Wages, Employment

The World Bank

"Policy Views from the Country Economics Dept.," *World Bank*, July 1992

Pareto Efficiency:

Adler, Chapters 1-3

Private property and economic efficiency


Pecuniary externalities


Just Compensation

Adler, chapter 4


Over-protection

Red Planet

III. Government Malfeasance


Class discussion: Marginal Cost Pricing

List

3, 305–360.


Chapters 1, 2, 3, 5 in Boycko, Maxim, Shleifer, Andrei, Vishny, Robert *Privatizing Russia*, MIT Press, 1995, ebook in the library

Sclar, Chapter 5, especially the section about the Principal-Agent problem.


Sclar, Chapter 5

**IV Privatization and Market Failures**


**V Private Public Partnership**

The Choice of Form

*California Debt and Investment Advisory Commission, "Privatization vs. PPP, a Comparative Analysis," August 2007*

The Contract

Elliot Sclar: Privatization: The New Subprime


[http://scholarlycommons.law.northwestern.edu/njlsp/vol6/iss1/2](http://scholarlycommons.law.northwestern.edu/njlsp/vol6/iss1/2)

PIRG Perspective

http://cdn.publicinterestnetwork.org/assets/H5QL0NcoPVeVJwymwlURRw/Private-Roads-Public-Costs.pdf

Doing it right: the payoff to caution and selectivity

Russia

Boycko, Shleifer, Vishny, finish the book.

Bernard Black, Reinier Kraakman, Anna Tarassova, "Russian Privatization and Corporate Governance: What Went Wrong?" September 1999

Stanford Law School John M. Olin Program in Law and Economics


Poland


Poland to privatize 19 chemical companies by 2011, ICIS.com

The World Bank


Red Plenty, passim

VI Learning from the Present


Sam Dolnick, "Unlocked: Inside New Jersey's Halfway Houses," June 16, 20, a special
investigation, read all three parts


Business Improvement Districts of NYC


VII  What and How to Privatize

Sclar, chapters 3, 7