Course Number: IBUS 6202/PPPA 6085

Course Title: Business & the State: Privatization, Nationalization, and Public-Private Partnerships

Synchronous Meetings: Thursdays, 6:10pm EDT, 25 May - 27 July,

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

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Course Description:

Large-scale government intervention is going to lead to the public sector having a much larger role to play across the world – Moisés Naim, former Minister of Trade & Industry, Venezuela; former executive director of the World Bank. Interview with LBS Wheeler Institute, 20.5.2020, https://wheelerblog.london.edu/the-reaction-to-the-coronavirus-crisis-will-have-more-consequences-and-touch-more-lives-than-the-trigger/

I think we've clearly entered an age in which government, certainly in the United States, is working the levers of economic control much more proactively than in recent historical experience in order to advance a combination of geopolitical and domestic political purposes. Daniel Sargent, Professor, UC Berkeley. Interview with The Hill, 17.4.2023  https://thehill.com/business/3951264-a-free-market-no-more-rules-of-the-game-have-changed-after-banking-crisis-some-say/

We have entered an era of huge changes in government role in the economy. The USA has adopted an “industrial policy” of government intervention in the structure of the economy through the Inflation Reduction Act. The Energy Crisis and the COVID-19 Crisis saw nationalizations, sanctions, and selective government bailouts of firms in many countries.

Where better to examine Business & the State than GW, in the heart of the US capital? This course examines the state’s role in industry and markets, spotlighting interactions between public and
private sectors. It complements and builds on traditional Business & Public Policy courses, which employ a USA-centric lens of public sector developing and enforcing rules, and private sector operating within them, trying to influence them, even evading them.

The course departs from this approach in two critical ways.

First, it examines arenas where governments act as players, not just as referees. The focus is on two key dimensions:

(1) Ownership and management. For example, does it matter that this course is offered at GW, rather than a state university, such as George Mason, Maryland, or UDC? If so, how? We pay particular attention to ownership change from public to private sector (privatization) and the converse (nationalization).

(2) Direct cooperation between government and business through public-private partnerships (PPP or P3). PPPs are a hybrid form of (1) of particular interest and importance, wherein ownership is public, but management is private.

Second, the course is not limited to the USA. Students who so wish can focus on domestic issues, but our lens is international, hopefully the USA can learn from others’ experience, and conversely.

The course focuses on both consequences – how and whether the privatization and public-private partnerships improve financial and operating performance, and causes – the rationales for privatization and supporting policies 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.

Learning Objectives:

♦ Development of perspectives for analyzing whether and how to privatize/nationalize enterprises, and how to relate enterprise performance to ownership.

♦ Familiarity with tools to understand the motivations, workings, and implications of public-private partnerships.

Course Format:

We will use on-campus sessions, case discussions, and readings. Details will depend on current tissues. There is a significant amount of reading, as well as a paper, and take-home exam, so please plan your time accordingly.

1 Readings on BLACKBOARD or the web.
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, including failure of the course. If you have questions regarding the use of materials, please ask.

Work Requirements & Assessment:

**Proposal** ½ 5 pp. + attachments. The proposal for the project should describe what you plan to do, including description of the issues, justification/motivation of why they are important, scope of analysis (what will you focus on and how you will go about it), information you will need, and how you plan to obtain it.

**Project** ⅓ Research project on lessons learned from privatization and/or public-private partnerships in one or more countries. Individual paper of 15-20 pages or group (2-3 people) paper of 20-25 pages, excluding charts, tables, bibliography, appendix, etc. (Group members are individually and collectively responsible for project work, and will receive a common assessment.)

Presentation of findings **at last mtg, July 27**, part of participation assessment

Topic approved through proposal process (see above). Sample proposals and papers on BLACKBOARD > files.

**Exam** ⅓ Open book, out of class (sent June 22; return by 6pm, July 5)

**Participation** ⅔ Students are expected to attend all meetings, except study-abroad conflicts. **Participation means speaking in class; attendance is not sufficient.** Class participation scored for each session — 1 for at least one comment or question that was productive (concise and salient), 2 for multiple such comments/questions

**Note:** There is a 1-grade penalty for absence at presentation session, ½-grade penalty for late arrival or early departure.
CLASS SESSIONS
(this is dynamic subject; readings may be added)

Session 1  
(May 25)

Introduction to the Course, Political Economy of State  
Capitalism, Bailouts

Discussion of course expectations, deliverables, and participation.

Reading
Micklethwait and Wooldridge, The Virus Should Wake up the West,  
Bloomberg opinion, April 2020.

Siripurapu, and Berman. "Is industrial policy making a comeback?,  

Cassidy, Joe Biden’s innovative attempt to reshape the American  

Optional Reading
Lazzarini and Mussachio, Leviathan as a Partial Cure? Opportunities  
and Pitfalls of Using the State-Owned Apparatus to Respond to the  
Covid-19 Crisis, Brazilian Journal of Public Administration, July-August  
2020.

Megginson and Fotak, Government Equity Investments in Coronavirus  

Congressional Research Service, Federal Assistance to Troubled  
Industries: Selected Examples R46277, March 2020

Casey, Bankruptcy & Bailouts; Subsidies & Stimulus: 0The Government  
Toolset for Responding to Market Distress, University of Chicago Legal  
Forum, 2021

Case Studies: Autos and Airlines

Goolsbee and Krueger, A Retrospective Look at Rescuing and  
Restructuring General Motors and Chrysler, Journal of Economic  
Perspectives 29(2), Spring 2015.

de Rugy and Leff, The Case against Bailing out the Airline Industry,  
Session 2
(June 1)

Political Economy of State Ownership and Privatization

Reading

Moulton and Wise, Shifting Boundaries between the Public and Private Sectors: Implications from the Economic Crisis, Public Administration Review 70 (3), May-June 2010
http://www3.interscience.wiley.com/cgi-bin/fulltext/123390002/PDFSTART

Voszka, Nationalization or Privatization? The Fragmentation of the Mainstream, Annals of Public and Cooperative Economics 88(1), March 2017 SKIM

Roberts and Saeed. Privatizations around the world: economic or political determinants? Economics & Politics, 24(1), Mar 2012

Case
The TARP Bailouts: Saving the Banking and Automotive Industries HBS 9-218-107, February 2019

Optional Reading

Megginson, The Financial Economics of Privatization 2005, Ch 1

Session 3
(June 8)

Firm Ownership, Governance, and Performance

Reading
Background on Corporate Governance (If you are familiar with the subject, skim as a refresher): 1) Eun and Resnick, International Financial Management, 6th ed., 2012, Ch. 4;
2) Larcker and Tayan, Governance Aches and Pains: Is Bad Governance Chronic? STANFORD CLOSER LOOK SERIES – CGRP54, April 2016


Bortolotti and Faccio, Government Control of Privatized Firms. Review of Financial Studies, August 2009

Optional Readings


June 13, 6pm

Proposals due by email

Session 4

Public-Private Partnerships

Reading


Optional Reading


Parker, “PPP/PFI – Solution or Problem?” *Economic Affairs*, 2009

Session 5

Public-Private Partnerships – Funding and Case Study (June 22)

Kanter and Fox, Finding the Money: An Overview of Infrastructure Finance Challenges and Opportunities, HBS Note 9-314-094, 2014

Case

Hillion and Wee, Public-Private Partnerships: The Project Financing of the Indiana Toll Road, INSEAD Case 190, 2012
Hillion and Wee, Indiana Toll Road (B): Will Winner’s Curse Strike Again? INSEAD Case 1216, 2016

Session 6
(dates TBD)

Meetings with instructor (via Zoom)
Feedback on project proposal

(June 29)

no class; work on exam (due July 5, 6pm)

Session 7
(July 6)

Development Banks: State-owned Financial Institutions TBC
Guest Speaker Jesse Corradi Development Finance Corporation TBC


Barboza, et al, “What Have We Learned About the Brazilian Development Bank?.” Anais do 48º Encontro Nacional de Economia, 2020, pp. 1-6

Session 8
(July 13)

Case Study – Global Oil Industry: Privatization & NOCs

Reading
Heller et al, Oil’s Power Players, Foreign Policy, June 2019 (brief intro to NOCs)


Heller and Mihalyi, Massive and Misunderstood: Data-Driven Insights into National Oil Companies, NRGI, April 2019, Executive Summary, Ch I, V.

CASE Serafeim et al, Statoil: Transparency on Payments to Governments. HBS 9-115-049, March 2015

Session 9
(July 20)

Leviathan Invests Abroad – SOMNEs & Sovereign wealth funds


Session 10  
(July 27)

**Presentations**

*August 3, 6pm*  
**Papers due by email**