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Abstract

In recent years cities and local governments have increasingly turned to public-private partnerships (P3s) to the sale and lease of existing infrastructure. These practices have been viewed as a way to address pressing fiscal problems and address infrastructure needs. However, these practices represent a fundamental departure from the traditional principles of balanced budgets for state and local governments. In financing capital project they are an expensive alternative to traditional tax-exempt financing and productive efficiencies in the private sector are unlikely to offset higher costs of capital. Furthermore, these practices are unlikely to improve infrastructure pricing and use and entail significant policy/economic risks as governments lose control of infrastructure for significant periods of time. The adoption of these sales or leases can be traced to political and institutional failures and inappropriate analysis.

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