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Nationalization, privatization, and the allocation of financial property rights

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Conclusion

In this paper I have shown that a purely economic theory of nationalization and privatization is conceivable, on the basis of an analysis of government as a rationally discriminating operator acting as the agent of pressure groups competing for redistribution.

Variations in cost of capital differentials between private investors and the state (essentially due to the existence of taxation) explain alternate policies of taking over privately owned corporations and divesting from state enterprises (SOEs).

Some initial empirical results are encouraging. Consequently I cannot reject the hypothesis that, through nationalization and privatization episodes, politicians, after all, do behave according to economic rationality.

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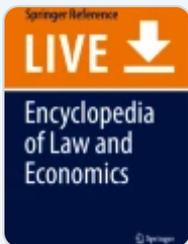
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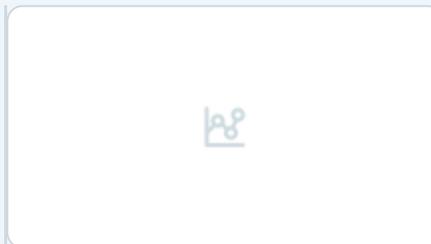
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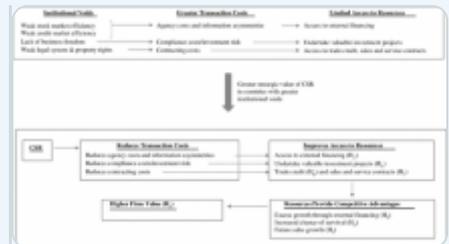
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