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## Finance and Politics: Special Interest Group Influence During the Nationalization and Privatization of Conrail

66 Pages

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Long Island University CW Post

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### Abstract

Conrail, nationalized in 1976 and privatized in 1987, was the most significant nationalization and privatization by the US government in recent years. It provides a specific example to examine the financial impacts of politics. We show that at key points in the nationalized and privatized time periods, interest groups appear to be exerting pressures to benefit their interests. The major customers of the six bankrupt northeast railroads suffered losses in market value of \$1,204 million at the time of the announcement of each of the six bankruptcies. Once the U.S. government undertook the reorganization effort and nationalization of Conrail, the benefit to customers of these rails is estimated to be at least \$2,774 million. In addition, changes in regulation which came about from the Conrail privatization process resulted in a positive externality to the rail industry of at least \$571 million. These changes in regulation are also estimated to have benefited customers in the amount of \$7,392 million.

**Keywords:** special interest groups, politics, nationalization, privatization.

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1. the expected return according to the estimated market model. The market model is estimated using 250 trading days
2. NERSA gave the tools to Conrail to allow for its first operating profit
3. Stanley Crane , That  
During certain periods of time at Conrail, I probably spent half my time in Washington Posted: 1988
4. According To Representative Edward Madigan  
I instituted this change because I wanted to distinguish Conrail from Amtrak. I share the belief of many members that Conrail could eventually become a private corporation not dependent upon Federal subsidies

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