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

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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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