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How expensive are cost savings? On the economics of public-private partnerships

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Abstract:

Public-private partnerships have emerged as an alternative to traditional public procurement in financing and providing infrastructure services. This paper considers public-private partnerships as another form of public sector intervention in the economy. It analyses the microeconomic pros and cons of public-private partnerships by identifying the sources of both higher benefits and higher costs associated with them, as compared to traditional public investment. Such analysis allows the outlining of the conditions under which public-private partnerships may be the optimal form of public sector intervention. In addition, the paper considers public-private partnerships from a macroeconomic perspective, focussing on their impact on fiscal policy and aggregate growth.

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