



Privatisation

Chapter 29
SdP

Learning objectives

- What is it?
- Why does it take place?
- Which are the effects of privatisation?

What is privatisation?

Privatisation involves transferring public sector resources to private sector.



Effects of privatisation

Costs
- Higher prices for consumers
- Loss of jobs
- Reduced quality of services

Benefits
- Increased efficiency
- Reduced costs for government
- Improved quality of services

Challenges
- How can we ensure that the benefits of privatisation are shared by all?

Government
- The government is often the owner of the public sector.
- The government is often the provider of the public services.

The economy
- The economy is the sum of all the economic activities in a country.
- The economy is often the provider of the public services.



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Objectives



firms
Objectives change: profit
Increased investment, increase production

Learning objectives

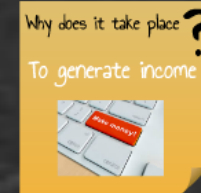
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Why does it take place?

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Privatisation in Britain during 1980's





Sale of nationalised industries

Ex.: British Rail and British Airways



Contracting out

Ex: Provision of school meals and hospital cleaning.



The sale of land and property

Tenants of local council owned properties were given the right to buy their own homes.



Why does it take place?

To generate income



Why does it take place?

Because nationalised industries were inefficient.



Why does it take place?

To reduce political interference



Effects of privatisation

03MAR15



ARGENTINA

CARLOS RAIMUNDI
FPV Legislator

FROM
THE SOUTH

consumers

Many agree that the prices of certain goods and services would fall.



However, prices of certain services have risen.

workers

- Job losses
- Pressure to improve efficiency and productivity
- adopt more flexible working practices





firms

Objectives change: profit

Increased investment: increase production

Mergers and takeovers: bigger companies

government

The government has benefited from privatisation with the huge amount of revenue.

However, the process of privatisation has been very expensive.

the economy

It was hoped that:

- firms would run more efficiently;
- lower costs, improve the quality of services and be more innovative;
- less waste and a more efficient allocation of resources



However:

- has not lead to greater competition;
- creation of monopolies.



SERGIO MONTEIRO

Secretary of State for Infrastructures, Transport and Communications Portugal



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