

“Session 7: Major Lessons: What’s Next?” Notes

The Distributional Impact of Privatization

February 24-25, 2003

Washington, DC

Navroz Dubash, World Resources Institute:

Three themes emerged with respect to the conference in which to consider the distributional impact of privatization: methodological, framework and political economy

1. Methodological: privatization has been an ideological debate on both ends. At the conference, the first day was focused on a mathematical/statistical analysis of the impact of privatization whereas the second day’s analysis was more anecdotal. The challenge moving forward is to align the stories people tell with the statistics (as they often do not corroborate). Example: Argentinian experience that Navroz has had does not match the Argentina paper’s analysis.
2. Framework: Government’s struggle with efficiency and equity. Is there really no necessary tradeoff? Are there limits to having both?
 - a. False expectations (of people)
 - b. External commitments (of governments)
 - c. Failure of creativity—Moving forward, people have to be more creative in exploring alternatives to privatization or beyond privatization
3. Political Economy:
 - a. In India (personal experience), privatization is a closed and non-transparent process. Trade-offs do not occur because conversations take place only between the IFIs and finance ministers. *People concerned with equity are not at the bargaining table of privatization.*
 - b. Regulation can’t just be imported
 - c. The same types of things that stymie the public sector are likely to stymie the private sector (privatization must become a more inclusive process)

One must start with a more open framing of goals (and treat privatization not as an end in itself but as a means to development/better quality of lives).

Stan Gacek, AFL-CIO:

- Three Caveats to comments: he is not an economist, he’s a lawyer; this is not an organized/comprehensive perspective; focus is on Latin America

- Labor unions are in agreement with some of the goals of privatization, just not the *dogma* of privatization—the gap is the lack of civil-society involvement
- Short-term, transaction costs and unemployment occurs, causing labor unions to contest privatization. There is reason to question whether privatization is *always* a good thing. (Public does have the capacity to regulate; lots of sectors in Latin America have been privatized...missing notes...)
- If privatization was helpful, society would not be so averse to it.
- It is important to evaluate tools of measurements and not take them as given.

Elizabeth Williamson, The Washington Post:

- Take Poland as an example of a country that is very much against privatization even though the same group led the solidarity movement.

Question: What can labor do to better the situation with regards to privatization? (Stan)
Collective bargaining, provide more complete information to citizens.

Nancy Birdsall, Center for Global Development:

1. In the opening remarks, I mentioned “Economists like privatization, people don’t.” Over the course of the conference, this statement makes sense. Economists and people gauge success of privatization very differently.
2. Does privatization increase the demand for regulation? How do we transform institutions to ensure this regulation occurs? (The hope is that this transformation is already occurring, i.e. with increased access as a first step.) In this way, privatization is paving the way for more transparent institutions that are (need to be) accountable to people.
3. There is a role for IFIs, but it can be better utilized. IFIs and governments need to have a consciousness of equity implications (and political implications) while privatization is occurring. This is happening more now. Humility is important.
4. There is no necessary trade-off. Otherwise, efficiency gains are lost long-term.
5. Statistics and anecdotes do complement each other and further research/investment should continue.

(Thank you and goodbye.)