

Ownership and competition: Finding Performance Breaks for Great Britain's Power Plants

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Abstract Agency theories predict that private ownership and competition increase firm productivity. We empirically assess these predictions for Great Britain's electricity industry restructuring and privatisation, using US plants as a control group. We estimate unknown break dates and the associated input productivity changes for labour and fuel at the plant level. We exploit the sequence of reform steps to separately identify the effects of ownership change and competition. Privatisation dramatically increased labour productivity. The effect is driven by incentives as well other mechanisms but is not primarily due to selection. Fuel productivity only increased with later increases in competition, probably due to divestitures.

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