

Crown corporations – Icbo

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Which Canadian Crown Corporation should be privatized? Crown Corporations are government-owned entities (Stastna, Kazi.). An example includes the Liquor Control Board of Ontario (LCBO). LCBO stores are the only stores, in Ontario, allowed to distribute liquor and other distilled beverages; therefore, LCBO is a monopoly (" Beverage Alcohol Service Review: A Matter of Balance"). The main purpose of this regulation is to limit the consumption of such products in Ontario - for better health (" Beverage Alcohol Service Review: A Matter of Balance"). However, the government ownership of LCBO may not be ideal.

The corporation should be privatized because its products do not benefit everyone in Ontario, and because privatization may be better for the economy. Firstly, LCBO distributes distilled spirits which not everyone living in Ontario may be fond of. As the corporation is government owned, any losses will have to be accounted for by the government. For this, the government will have to use taxpayers' money. LCBO's products are not public goods. Not every taxpayer will benefit from the existence of LCBO, so it would be unfair to use taxpayers' money in case of any losses.

Furthermore, liquor is a private good. According to John Kenneth Galbraith's theory on public purpose, " poverty is due to social imbalance that results in a lack of public goods. " (Dunn, Stephen P. and Steven Pressman) Also, LCBO's products undergo a great deal of advertising. As a result, their products may be considered " artificial wants" - goods that people do not necessarily need (Snm090). With this in mind, the government should focus more on public goods, and less on private goods. Secondly, the privatization

of LCBO would benefit the economy. LCBO, being a monopoly, faces zero competition.

Hence, the corporation will not feel the need for innovation. If the liquor industry was privatized and legal barriers to entry were abolished, the industry could expect the arrival of new companies. The industry will no longer be a monopoly and competition will exist. This competition would lead to innovation. Moreover, the privatization of LCBO would still benefit the government. According to the " LCBO Annual Report 2010-11", net sales and other incomes reached \$4. 7 billion in 2011. There's no doubt, then, that the government could sell the corporation for billions.

Although this is a one-time profit, the government could still continue to make profits by imposing heavy taxes on the sale of distilled spirits. Since such beverages are habitual goods, their price elasticity of demand would be inelastic. This means that as price increases, the total revenue would also increase. The government would find themselves profitable if they were to impose taxes. To conclude, LCBO's government ownership may not be a wise idea. The Crown Corporation should be privatized as it produces goods that do not benefit the entire population of Ontario, and as privatisation could benefit the economy.

Works Cited " Beverage Alcohol Service Review: A Matter of Balance. " ApolNet. n. p. , June 2005. Web. April 13, 2013. Dunn, Stephen P. and Steven Pressman. " The Economic Contributions of John Kenneth Galbraith. " Bib. n. p. , April 2005. Web. April 12, 2013. " LCBO Annual Report 2010-11. " LCBO. LCBO, n. d. Web. April 12, 2013. Snm090. " Does Advertising Create Artificial Wants? " Papercamp. n. p. , November 11, 2012. Web. April 13, 2013. <https://assignbuster.com/crown-corporations-lcbo/>

Stastna, Kazi. " What are Crown corporations and why do they exist? " CBC. CBC, April 1, 2012. Web. April 12, 2013.