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# BOOK REVIEWS

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*Privatisation in the Less Developed Countries.*  
Edited by Paul Cook and Colin Kirkpatrick.  
New York: St Martin's Press, 1988.

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The editors of the book *Privatisation in the Less Developed Countries* are commendable for bringing together a number of leading authorities to provide a comprehensive analysis of both the principle and practice of privatization. There are four main parts to this book. Part I consists of an overview of privatization in LDCs. It focuses on the various modes of privatization and examines the performances and shortcomings of the public enterprises (PEs) sector. There is a comprehensive coverage on the efficiency of the firms after the change of ownership in terms of their economic, financial, and distributional aspects. However, there is not much emphasis on contracting out which is also another mode of privatization. On page 31, it was pointed out that an improvement in the economic performance of the PEs sector is likely to result from an increase in market competition than from a change in ownership. In this regard, contracting out may be able to fulfil the function to promote competition and hence efficiency. Therefore this mode of privatization should not be neglected as has been done by the authors.

The issues and procedures of privatization are dealt with in Part II. The essential issues pertaining to privatization such as ownership and ideology (what are the best means of achieving

stated goals), distribution in terms of wealth and income (who is to gain and who is to lose from an act of privatization), microeconomic efficiency (will private ownership lead to higher productivity and better use of resources?), macroeconomic efficiency (facilitating the process of national planning), and constraints of divestiture (limited size of capital markets) are well discussed. Credit should be given for bringing in the relevance of the U.K. privatization experience to LDCs. This could serve as a comparison between privatization in developed and developing countries and gives insight into the relevance or irrelevance of certain experiences from the developed counterparts. Furthermore, the purpose of this chapter is to assess the relevance of privatization to the economic, social and political problems characteristic of the LDCs. Hence it instils some order into the conceptual issues which should be resolved before embarking upon privatization.

Part III touches on privatization and performance. The relationship between privatization and performance in terms of fiscal impact of privatization and the efficiency of private and public enterprises are considered. The efficiency of private and public enterprises is analysed with the support of empirical evidence. The evidence seems to conclude that there is a tendency for public enterprises to be less efficient than private enterprises. However, more studies are needed in order to draw general conclusions. Included in this section is a paper presented by Ali Mansoor

("The fiscal impact of privatization") which should not be construed as implying that privatization has a negative fiscal impact and should be discouraged. Rather, it should be seen as how asset sales can generate revenues to improve the budgetary position of the PEs.

The privatization experience and practice in the final section is backed by case studies specifically from Africa, Malaysia, Singapore, and Chile. They cover almost every aspect of privatization in their respective countries such as the current position of privatization in Malaysia; performances of Singapore's PEs before and after privatization; and the different phases of the privatization programme in Chile. Included are also some examples of privatized firms such as the Nigerian Water Supply and Waste Removal, Singapore Airlines, and Malaysian Airlines.

The four country case studies are well picked for the relevance of the privatization experience for other LDCs. However, the Singapore case is unique. The objectives of privatization in Singapore are different compared with those in other LDCs. One distinct difference is that the Singapore Government has explicitly stated that they do not need the funds from the divestment programme whereas the financial consideration is the main factor for the LDCs to privatize. Nevertheless, the Singapore case is an important example that privatization will succeed when the right mix of appropriate policies are implemented at the right time together with conducive conditions such as having an efficient capital market, well thought-out plans, and committed leadership. From these case studies, the countries' experiences are applicable to other LDCs who wish to extrapolate lessons from them. Therefore the objective of this book which is to consider whether privatization is the appropriate policy in light of the problems of LDCs is achieved.

All in all, the papers in this volume provide important insights into the current debate of privatization. This is especially useful to policymakers in LDCs as the book indirectly gives the awareness of the various pitfalls during

privatization. Thus, the book is essential reading to all those practitioners concerned with development policy issues in both developed and developing countries.

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***Prospects for Privatization.*** Edited by Steve H. Hanke. New York: The Academy of Political Science, 1987. Pp. 214. US\$9.95.

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The trend towards privatization needs analysis is examined in this interesting volume, edited by Professor Steve H. Hanke of the Johns Hopkins University.

Privatization, the antonym of nationalization, is the transfer of assets or services functions from public to private ownership or control. While nationalization is a thoroughly researched topic, privatization has had less coverage until about 1980, when the trend towards more government spending, ownership, and intervention has been seriously questioned.

The purpose of *Prospects for Privatization* is to redress the imbalance in the literature between nationalization and privatization. Professor Hanke drew upon his extensive knowledge of the subject and obtained essays from a group of distinguished scholars to produce this volume. It covers a wide range of issues on privatization in the context of the American economy. Some of the papers were presented at a conference at Columbia University on 20 November 1986.

The book lists the popular objectives of privatization as follows: (1) the improvement of the economic performance of the assets or service functions concerned; (2) the depoliticization of economic decisions; (3) the generation of public-budget revenues through sales receipts; (4) the reduction in public outlays, taxes, and borrowing requirements; (5) the reduction in the power of public-sector unions; and (6) the promotion of popular capitalism through the wider ownership of assets.