

the continuing need to regulate, the availability of a vendor, transition costs, loss of economies of scale, the problem of estimating market value, contract compliance, lost opportunities, the costs of failure, and the limits of governance.

In short, the contributors of the book are optimistic about the prospects for privatization and for overcoming the limitations involved. However, they fail to emphasize that the success of privatization depends heavily upon the existence of a strong capital market and private sector. For readers from different countries who want to know more about the application of privatization in their country, this book can only serve as a general guide.

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Privatisation and Development. Edited by Steve H. Hanke. California: International Center for Economic Growth and the Institute for Contemporary Studies, 1987. Pp. 237.

This book is an edited volume of articles presented at a conference on privatization organized by the United States Agency for International Development and held in Washington, D.C., in February 1986. The list of paper writers for the conference and, therefore, for this volume is indeed impressive. It comprises high-ranking politicians, civil servants, academicians, and consultants, both at the national and international levels, who have been involved directly in privatization exercises in various parts of the world. This book, therefore, brings together in one volume a wealth of experience related to privatization and should prove useful to all who are interested in the subject. It is particularly useful for the practitioners since the book does provide useful policy guides on how to get the privatization process successfully launched in both the developed and the developing countries.

A major prerequisite, it would seem, is the need to win public support for the exercise. Here,

the book has a few suggestions. First, the public must be told that efficiency will increase following on from privatization and that they will benefit from both an increased range and quality of goods at lower prices. Next, they can be part owners through subscribing to the shares of the newly privatized companies. And opposition from both labour and management can be muted through the possibility of some state-owned companies being sold to them. Once the public is convinced that they will be the major beneficiaries from privatization, they will most likely support it — as experience in countries like the United Kingdom will confirm. But this support must be coupled with possession of political will on the part of the government if privatization is to succeed.

The scope and coverage of the book are indeed wide. It is divided into five major parts: Part I, entitled “Privatization in the Developing World”, comprises three overview articles on privatization; Part II discusses the politics of privatization under the title “Foundations of Privatization”; Part III entitled “Planning for Privatization” provides the practitioner with a check-list of things to do in a privatization exercise; Part IV looks at privatization of the various sectors under the heading “Privatization for Development”; while Part V “Cases of Privatization” presents several case studies on privatization. Most, if not all the articles, tend to focus on practical issues related to privatization with less emphasis on the theoretical aspects.

The ideological orientation of the writers is obvious — almost all believe in the virtues of the free market. Hence all support privatization. Several chapters have even been written to show how privatization has led to increased efficiency, wider share ownership, and higher economic growth in several countries. The most pertinent is Chapter 17, “The Anatomy of a Successful Debt Swap”, written by the editor himself, where he shows how privatization has promoted high economic growth and reduced the debt of Chile. But sadly missing is a discussion of the impact of privatization on income and wealth distribution. My guess is that privatization could not have had

a favourable impact on income distribution in Chile, since in the recent plebiscite held there, the majority of Chileans showed their disapproval for Augusto Pinochet, under whose regime privatization has been carried out rather intensively. Other than for this lack of discussion on what I regard as an important social issue, this book has much to recommend.

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***Selling the State: Privatization in Britain.* Cento Valjanovski, with the assistance of Mark Bentley. London: Weidenfeld and Nicolson, 1987.**

The most well-known and far-reaching programme of privatization has been that of Britain. Privatization has not only changed the corporate landscape in Britain but the effects have spilled over its borders to influence privatization policy in other countries as well. *Selling the State* is a reasoned and balanced account of the history, politics, and economics of privatization in Britain that sounds a few cautionary notes about uncritically accepting privatization as a panacea for all economic ills.

There are two aspects to this book. First, it is a readable account of the history of privatization in Britain. On entering its first term in 1979, the Conservative Party began privatization in a tentative manner, usually through partial sale of assets with the government retaining just less than 50 per cent of ownership. With the programme receiving an initially unexpected favourable political response, the party accelerated its sales, culminating in the sale of British Telecom in 1984 and British Gas in 1986. Until exceeded by the sale of Nippon Telephone and Telegraph by the Japanese Government, the British Gas sale with gross receipts of over £5 billion, was the biggest equity issue in the financial history of the world. By the beginning of

1987, the Thatcher government had privatized twelve major companies and a larger number of smaller ones. In doing so, it had transferred 20 per cent of the state sector and over 400,000 jobs to the private sector. It had also raised over £12 billion and had more than doubled the number of shareholders in Britain. As the Thatcher government continues to dominate the political scene in Britain, the privatization process looks set to continue.

While the privatization programme is generally seen as a success, both politically and economically, there have been criticisms relating to the costs involved in selling the companies through the stock exchange, and in the case of the utilities, the failure to create the more competitive environment seen as necessary to improve efficiency. On the crucial efficiency question, not enough time has elapsed to allow for meaningful judgements. On available evidence, however, there has not been much difference in post-sale performance compared to pre-sale.

The second aspect of the book which should prove of more general interest is the author's lucid treatment of the theoretical political and economic issues underlying privatization policies. This includes discussions of the ideological basis of the New Right, the role of property rights in a market economy, and the economics of regulation. The latter — the linkage between privatization and the demand for more cost-conscious regulation — is too often overlooked in debates on privatization. In sum, as the author points out, "privatization is a complex process which takes place both in the commercial market and in the political market place. If one is to understand the process and consequences of privatization, and even more daringly to comment on its desirability while wearing the mantle of 'expert', one must examine the political and institutional context on an equal footing to the purely economic aspects".

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