

A Word About this Special Issue on Public Enterprise

This issue of DECISION is precisely about the above debate. It includes papers by some of the most knowledgeable persons in the area and covers all aspects of academic pursuit. It has papers dealing with innovative theoretical frameworks (Birch, Backhaus and Trivedi) as well as sound empirical and practical insights (Nankani, Iyer and Reviglio).

Paper by Nankani is a rare and illuminating contribution to the privatisation literature. Instead of indulging in an ideological debate about privatisation, it quantifies the parameters of the privatisation debate. It points out that, without question, the rhetoric of privatisation has far exceeded the reality. However, it also makes it clear that nobody can deny the reality of privatisation, whatever its the magnitude. Professor Backhaus also adds a new dimension to the privatisation debate. He develops an approach to privatisation which is relatively new. It is referred to as rent-seeking behaviour.

One of the great difficulties in the privatisation debate relates to the lack of information on the nature and magnitude of the "true" contribution of public enterprises to the nation. There has been a well established tradition of denying the relevance of profit as a measure of public enterprise performance. However, very few empirical attempts have been made to answer the question: "if not profit, then what?" The papers by Trivedi and Birch are among a rare breed of empirical work relating to the performance evaluation of public enterprise. They use similar approaches for evaluating the performance of public enterprises in India and Argentina respectively. For those who are seriously engaged in the process of privatisation it would be worthwhile to examine the conceptual framework presented by these two papers. It is indeed our belief that such work is a necessary prerequisite for any sound privatisation exercise.

When all is said and done, the real problem with the public enterprises in countries across the Globe boils down to the mismanagement of the interface between Government and public enterprises. Two highly insightful papers by Iyer and Reviglio try to systematically arrange issues involved in this area. Reviglio focuses on his country's most important contribution to the public enterprise literature - the concept of holding companies. Both authors have enormous experience in the academic as well as practical aspects of Government and public enterprise interface.

The final comment by Tandon raises some interesting issues relating to use of public profitability at constant prices as a measure of public enterprise performance. This is not only of great theoretical importance but of practical significance as well. Several countries are using public profitability as a measure of public enterprise performance and it is worthwhile to pause and reflect on the implications of using this criterion for this purpose.

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