Partial Privatization and Market-Opening Policies: A Mixed Oligopoly Approach

by

Lihua Han[*1]

Hikaru Ogawa[*2]

Abstract

Using a simple mixed oligopoly model with partial privatization, we show that the relaxation of restrictions on foreign investment sets back privatization of public firm. That is, as the share of foreign capital in each corporate joint venture increases in the mixed oligopoly market, the government decreases the degree of privatization. By contrast, given the share of foreign capital in each corporate joint venture, the privatization is promoted by an increase in the number of firms operating in the market. In sum, the two different strategies for market openings result in the opposite impacts on the government's incentive for privatization.

[*1] Graduate Student, School of Economics, Nagoya University
E-mail: lihuah2003@hotmail.com

[*2] Associate Professor, School of Economics, Nagoya University
E-mail: Ogawa@soec.nagoya-u.ac.jp