Comments and Discussions

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This paper studies the optimal policies chosen by a government with regard to the extent of privatization of a domestic public firm and the restrictions on foreign ownership in a domestic joint-stock private firm in an international mixed oligopoly framework.

Privatization of public firms has been studied by many researchers, including Matsumura (1998), in a single country framework. However, as evidenced by the Chinese case, the privatization of a public firm and liberal market policies are closely interrelated to each other. This paper attempts to complement and generalize the existing literature by introducing an investment activity of foreign enterprises and a liberal market policy in the international mixed oligopoly model.

This paper distinguishes itself from previous studies by incorporating technological spillovers in its model. As the authors have pointed out, one of the reasons for a government to attract foreign investment is technology. The paper explicitly incorporates technological spillovers into the model, and examines how optimal levels of privatization and foreign ownership restrictions interact with each other and are affected by the magnitude of technological spillovers.

This paper examines this important and interesting issue within a simple analytical framework and successfully presents clear policy implications. Therefore, this paper would be a useful contribution to its target field.

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