THE ROLE OF STATE IN DEVELOPING COUNTRIES

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Abstract

The role of state in developing countries is so unique and important that in the developed economy doesn't exist similarity. In the developed economy the tendencies are oriented to the free market where the slogan "market solves all" is used in practice. However, market relationships in developing countries are not able to solve a whole series of tasks connected with economic development and, moreover, breed some problems by themselves or contribute to their origin.
State interventions into economy are usually split to the two fields. In the first - different forms of economic policy through which the state sustains macro-economic stability, secondly - influences the development of private sector.
The privatization in developing countries is very sensitive question through the fact that the balance of powers as well as interaction between the state and private sectors are in developing countries uninsured.

Key words: State, public sector, economic policies, public sector privatisation

INTRODUCTION

In the procedure of modern economic development, there always were led discussions among the defendants of two mowing powers influencing this process: market mechanism and the economic role of the state. For certain time, market powers and the role of state were understood as alternatives and their relationship was even formulated as the problem of choice. In the extreme case, it was a strongly ideologically coloured contradiction between
laissez-faire and the central bureaucratic system of the economy management known for example from the late history of the U.S.S.R. or China. A very complex and modern analysis of these economic development aspects which was published by the WB distances from the similar approaches, however. It refuses both the attempts of a complex control of economy by the state and the attempt to realise the slogan "market solves all" in practice. Above all, it stresses an almost revolutionary idea under the present conditions that the "central problem of development is the interaction between the government and market". Therefore it is not the question of alternatives or a choice among the two phenomena. The task is to set the appropriate role of each of them.

The state and market relationships in the developing countries economy

This, to a certain extent pragmatic attitude is logically reasoned for by the long-term experience that the competitive market is the best way the civilisation has found for the efficient organisation of production and distribution of goods and services. However, market relationships are not able to solve a whole series of tasks connected with economic development and, moreover, breed some problems by themselves or contribute to their origin.
As an example, we can use the necessity to solve environmental problems, to build infrastructure, to develop social services and, all in all, also to participate in solving some economic problems. The market also presupposes the existence of certain rules and the legal frame. As long as there does not exist another suitable subject able to cope with these tasks, the state, i.e. namely the government, has to take over the responsibility for them. The conflict question is what tasks should the state concentrate on primarily and which it should leave over to the market, based under all conditions mainly on private initiative. The World Bank stresses that the government should not be asked to manage the development in detail. Based on the experience, it recommends the DCs and DMEs to take a "market friendly approach". It recommends them to observe three principles:

- To intervene unwillingly, i.e. to let the market work till the moment when it is better to enter the game demonstratively;
- To intervene in an open and transparent way and to observe at it the accepted rules;
- To check the state interventions into the international and national market efficiency.

According to the World Bank analysis, there are four actual spheres where the state can help the development: investments into people, forming of the competitive environment, integration with the world economy and sustaining of the macro-economic base. On another place, it also adds that the state traditionally takes care of environment and infrastructure.
From the above mentioned, it follows that the WB has taken a principally very sober and balanced attitude to the question of the role of state in the macro-economic

development. Its "market friendly approach" seems to be, for example with regard to the Japanese experience, a rather too modest. The economic role of state in Japan, and it is necessary to add that also in most of the Asian newly industrialised countries (ANIC) during the last forty years, was and is even now much more rash and extensive than the recommended orientation of state economic interventions. In all these countries, it is not limited only to the expenditures on education and health care (human capital investments), sustaining of the competitive environment, integration into the world economy and economic policy measures of the macro-economic character.

State investment is there much more extensive and diversified. They include not only the sectors of infrastructure, but to a certain extent also the so-called active sectors. In some of them, state enterprises are sustained, reformed and are efficiently operating, even if part of them has been privatised, Economic policy is much more diversified, besides macro-economic dimensions it has also micro-economic aspects and utilises the indirect as well as direct management tools, even if it rightly avoids price control. In all these countries, it does not regard only the integration into world economy, but a complex strategy of export determinance (export-led growth), performed consistently for several decades, which only of late came to turn in Japan. Finally, it should be stressed that Japan, and still more the ANIC with the exception of Hong Kong, rely also on indicative planning. South Korea as well as Thai-wan even utilised for many years the development planning combined moreover with the state sector.

Not only in the NIC, but in the majority of other DCS the role of state will show a tendency to overcome the relatively modest scope recommended by the WB. Os course it can be expected that these DCs will not tend to the dimension shown in past for example by some Asian socialist countries (SCs) or some DCs of a socialist orientation. Nevertheless, the share of state investments in the total investments will be, with regard to the weak private capital, bigger in many DCs and their orientation more diversified than implied by the "market friendly approach" . Also the scope of other state activities will probably overreach this attitude, for example by the growth and industrial policy. In some countries, the practice of development planning will be continued, at least in the indicative shape. According to the traditions, it can be expected also in the market-oriented economies (Thailand, Malaysia, and Indonesia). There is no doubt, however, that the prevailing direction will be rationalisation and efficiency of state economic activities with the subsequent endeavour for its overall reduction and liberalisation.

The role of date in economy undergoes changes depending on the changing conditions and agents, be they of economic or non-economic character. However, the state has acted under all conditions on resource allocation. It influenced and influences what is produced, how what is produced, who benefits and who looses etc. The state ensures this role imminently, i.e. directly or indirectly. For example, it directly ensures the defence, builds infrastructure, usually participates in the development of energetics, communications etc. Very often it founds

Specialised state organisations or even state enterprise s for the purpose. Usually it, however, influences the production and allocation of commodities in the private sector indirectly through different forms of economic policy and its tools. Taxes, subsidies, quantitative control belong to the most well-known. Under certain conditions, it uses also such direct measures as administrative prohibitions or orders, for example in the conditions of the former SCs economy or in the system of economy management during the war and its preparation.

In the long-term tendency, economic role of the state has diversified and extended significantly. While in the distant past it was in fact limited to the legal frame creation and observing the law and order, later on it was extended to the care for the economic and social infrastructure development and to the increasing influence of the economic activity by a number of economic policy measures. Namely in the after-war period, state enterprising in the active sectors of national economy including industry, agriculture and some services and also planning gained in importance. This structurally widely diversified and in total increasing economic role of the state was characteristic for the development of world economy as a whole, even if its dimensions differed considerably in the individual main groups of countries. Beside s the former or still existing SCs, where the state still showed tendencies to the complete control of national economy, the economic role of the state increased considerably both in the developed and the developing market economies.

It testifies not only to the growing tendency of the economic role of the state, but also points at one of the factors signalising its change. The share of state expenditures in GDPP has become do overreach considerably the share of state income what led to the origin of permanent fiscal deficit, which become an important source of inflation. The recovery of this shortcoming was searched not only in the state expenditures reduction, which it was managed to decrease only relatively, but also in the revaluation of the economic role of state in both groups of countries.

The reasons of the origin and growth of the economic role of the state in the DMEs as well as DCs are quite well known and it is not necessary to analyse them on detail. With all the differences of opinions reflecting among other different economic schools of thinking, which bring in and cultivate these opinions, there prevails an agreement in the opinion that state interventions in economy and namely existence of state sector are necessary in consequence of market failures. Developed market economy is then, on one side, not able or at least suitable to ensuring the "public goods and services“ supply (defence,“ law and order“, basic education and health care, infrastructure) and on the other hand, it produces negative or at least undesirable consequences, such as environment pollution, transport overburdening, natural wealth destroying etc,. not to speak of the distribution polarisation and social impacts.

The monopoly bred by the market can lead without a sufficient control even to the undesirable economic growth and disproportions.

In many DCs, where market is not developed sufficiently, the state is, moreover, the only power able to ensure, at least to a certain extent, the mobilisation of resources necessary for the support of economic growth and the progressive structural changes. Therefore, in many DCs the state participates more importantly in the investment activities and state enterprising is usually more diversified and in some cases also relatively more extensive that in the DMEs. Namely getting free of the colonial system contributed to the increase of state sector in these countries (the share of state expenditures in GDP was then estimated at only 5%), the endeavour to get control over the natural wealth and all economic activities aimed in accordance with the NIEO against the TNCs, and especially external conditions, for example

The raw materials and oil crisis which accelerated nationalisation of the foreign capital enterprises in the sector of mining.

The growing scope and importance of the economic role of state was not, however, accompanied by its higher efficiency. Namely the so-called commercial efficiency of state enterprising lagged far behind the expectations in consequence of the management shortcomings. There is a whole series of reasons for it. In the IMF publications which traditionally criticises the insufficient state enterprises efficiency, there are pointed out the non-qualified interventions of politicians into economic sphere, weak motivation and control of managers, great power of the TU etc. Beside these and many other illnesses of the state sector, it is necessary to point out namely the disability of most state enterprises to react flexibly and efficiently at the series of shock brought by the world economy development during the last twenty years. Namely, the state sector was not able to catch up with and to develop in the desirable directions scientific and technological progress. Even if some of the state enterprises shortcomings were caused by factors outside their responsibility (for example the intentional policy according to the principle “neither profit nor loss“, favouring customers and disadvantaging producers, or by the endeavour to fulfil social goals, the fulfilment of which is commercially inefficient from the core of the matter), the prevailing part of state enterprises showed a growing loss which had to be covered from the budgetary incomes. With the growing volume of state sector, of course also the budget deficit grew. The budget deficit represented, besides other shortcomings of the state interventionalism, an important problem calling for solution. Therefore, many countries faced the actual task of increasing the state enterprises efficiency, their rationalisation and thus enabling also the necessary budgetary expenditures decrease at the end of 70s and beginning of 80s.

If the market economy shortcomings were admitted by most economic theories as the common cause of the origin and development of the economic role of the state, on the contrary, solving of the greatest shortcoming of the state sector, its low commercial efficiency, is seen in the market economy development. Since the market development is historically connected to the private property, the remedy of these state sector shortcomings are seen in the market powers liberalisation and strengthening of private business.

Based on these postulates, the strategy of market oriented development crystallised.

.The strategy of market oriented development, or shortly the “market oriented strategy“ includes several basic components and is aimed at several main development directions.

Regarding the basic components, it is based on the “private sector agents“, both individuals or profit motivated groups, and further on non-profit non-governmental organisations. The second component is support of competition reached through removing of the business obstacles and typical by equal opportunities fir private as well as state enterprises. Third component is the preference of indirect tools of economic policy over the direct tools including foreign currency distribution (based on auction, not administrative distribution). Four components are based in the subsidy elimination, which can be justified only in the case of market mechanism failure or in fulfilling the highest priority tasks. Finally, the last component lays in the susceptibility to the structure of incentives like taxes, investments, expenditures and growth. From this strategy, there was expected a higher growth based on the creation of bigger resources and, at the same time, a higher efficiency of the state sector which is not overburdened by the side tasks which are better fulfilled by the private sector.

In accordance with this theory, a number of reforms were started, limiting to a certain extent the economic role of the state but based rather in its rationalisation with the goal of higher efficiency of the whole economy. Different regulation programs including internal economic development as well as external economic relationships are aimed at reaching a higher stability based on adaptation to the new or changed conditions. The most important element of the market oriented strategy and the new tendency which has emerged in the frame of the economic development in the 80s in the developed as well as developing countries is privatisation.

Economic policy and the state sector in developing countries

State interventions into economy are usually divided into two main groups, First group is created by different forms of economic policy through which the state sustains macro-economic stability and influences the development of private sector. In connection to the above analysed changes in the economic role of the state, namely with liberalisation of the space for strengthening of the market influence on the development process and thus also increasing of the private sector role in economy, there gains generally in importance the economic policy, while the role of state sectors somehow gets into the background. In the DCs, this process is less straightforward and slower than in the DMEs, not to speak of the transforming Central European economies. It is so because DCs are marked not only by a lower economic level, but also by less developed market relationships and still important role of the natural sector, namely in the rural areas.

Also in DCs the main forms of economic policy are the monetary, credit and fiscal policy. With regard to the importance of external economic relationships for the DCs economic development, a special attention is paid also to the state interventions in this sphere. Compared to the DMEs, traditional forms of economic policy working on the base of market mechanism are less effective in DCs.

Monetary and credit policy in the DCs uses three classical tools known also from the DME practice and theory: central bank discount rates, free market operations and the minimum reserve covering of the business banks deposits in the central bank. Their aim is to regulate the intensity of business activities and so to contribute to the decreased danger of inflation or a crisis. The tasks laid on them are difficult to manage even in the DMEs where there are more favourable prerequisites to their functioning than in the DCs. Even if it is for example possible to change the central bank discount rate very often and to perform the operations on free market practically perpetually, their result is usually rather weak.

Their main advantage laying in the fact that they use to be put quickly into life cannot change the overall weak effect. In the DCs, they should furthermore contribute, as well as the selective credit, to the economic development acceleration and to help overcoming the one-sided character of the economy. With regard to the fact that in the DCs exists the already mentioned natural husbandry and market mechanisms are not fully developed (stock market is on a low level and the bank system rather poor), it is understandable that the monetary and credit measures are neither able to fulfil efficiently the role of the economic activity regulator, nor to overcome backwardness.

Nevertheless, their importance cannot be omitted. In the DCs, the demand for credits is high. Even if it cannot be expected that the monetary and credit measures could be sufficient for the successful anti-crisis or anti-inflation fight, they can play a certain role in supplying financial resources for economic development. The central bank sometimes supplies credit not only to banks, but also directly to enterprises. Also the special development corporations crediting investments grow in numbers. However, this activity cannot be squeezed into the frame of the classical monetary policy. Fiscal policy includes the area of state incomes and expenditures and influences economic life through the changes in the level and structure of both parts.

In the DCs, the importance of fiscal policy grew namely with the need to secure sufficient means for economic development. Extensive financing of state investment building and state credit for private investment building is conditioned by sufficiently high state incomes.

The state then utilises all common ways for their securing, among which belong taxes, state enterprises profits and deficit financing. The mentioned forms have their advantage s as well as disadvantages. For securing a sufficient level of state incomes, of the greatest importance are taxes by which the state acquires means from the population (the decisive tax form are indirect taxes) and enterprises, which need not be repaid. The state enterprises profits need not be repaid, either, but they are obviously limited in quantity and therefore of no great importance. On the other hand, an additional emission threatens by inflation impacts and the internal or external credits have to be repaid including interest, so that deficit financing, even if often used, is accompanied by very negative symptoms.

Notwithstanding the obviously bigger role which fiscal measures are playing compared to monetary policy, they have certain negative qualities which lower and their efficiency. They are of a long-term and intervalistic character. For this inflexibility, they can only with difficulties fulfil the role of the stabilisator, which is, moreover, complicated by the fact that monetary and fiscal measures are difficult to harmonise with regard to their impacts. Even if fiscal policy is one of the most outstanding forms of the indirect state interventions into economy, it shows yet further shortcomings in the DCs. A great weight of the natural husbandry lowers and complicates tax collecting in the monetary form. Low national income per capita reduces the taxation level. The imprecisely built state administration systém complicates tax collection.

The extraordinary importance of foreign trade calls to life a numerous series of state interventions aimed at export support and the increase of foreign currency incomes, on the harmonisation of the export and import levels, on reaching structural changes in export and import, on the developing home industry protection against competition, on securing the necessary level of state incomes etc. Many tasks state interventions are supposed to secure call for the need of their forming a balanced systém and not functioning in a contradictory way.

Besides measures for increasing the exported products quality, there are utilised namely customs measures, exchange measures based on the exchange rate changes and state trade with foreign currencies, i.e. state interventions based on market mechanism. Further, there belong the quantitative import and exchange control, which excludes it to a considerable extent. Finally, there belong bilateral trade agreements and the connected state trade which can both be of the market mechanism features or to work against it. The mentioned state measures of course regard the circulation sphere and their impact on production is intermediated. But since the DCs problem of foreign trade issues from their complex economic position, which is given namely by production on which the mentioned measure do not impact directly, their efficiency, namely regarding economic development, is not very high. State interventions based on the market mechanism functioning, is utilised namely by the countries undergoing slight economic difficulties. The more do economic difficulties increase, however, the more is visible the insufficiency of such measures and many countries are thus compelled to start a more strict quantitative control and sometimes even a more extensive state trade and bilateral agreements or their mutual combination.

The role if foreign capital is highly contradictory. On one hand, it causes the outflow of resources from the DCs, leads to their pauperisation and, in the new forms, supports their political dependence. On the other hand, its inflow contributes to building of new enterprises, increases employment, brings new technologies into the country, and leads to economic development. The negative impact of foreign capital leads to state measures aimed at its limiting or even liquidation, on the contrary, the lack of internal resources is the main cause of state measures supporting its inflow.

To limiting of the negative side of the foreign capital activities or to stopping its influence as such, there serves a whole series of tools from nationalisation through a partial buy-off or a partial prohibition of direct foreign investments up to the limitations or prohibitions regarding the foreign capital repatriation or profit transfers, tax burdens, customs and exchange advantages. The country intending to support the foreign capital inflow, mainly private one, is subject to several other demands, besides the necessity to be profit-attractive.

The primary demand is the stabilisation of intra-enterprise situation. What regards the individual forms used to attract foreign capital, their common feature is that they alternate with the measures used to its limitation, but of course act in the opposite direction. There belong the guaranties against nationalisation, opening of the economy fro foreign capital, elaboration of the list of sectors in which foreign capital participation is especially welcome, offers of common enterprising in the form of different forms of mixed firms, advantaged repatriation of capital and liberalised profit transfers, tax relieves etc.

Of a considerable importance are also state investments into the economic and social infrastructure. The limited impact of the measures towards foreign capital is not the consequence of any specific situation of the searched area, but it is typical for most DCs. These countries interest is to utilise foreign capital for the national economy uplifting, i.e. to utilise its possibilities and to limit its negative impacts. If they are to utilise its possibilities, however – and this can be reached only through a considerable inflow of foreign means – then they cannot make claims at the radical limiting of its negative impacts. And vice versa, if they limit its negative impacts, then they will also limit its possibilities.

Foreign capital then would stop flowing into the DCs. During the last two decades, strengthening of the measures supporting foreign capital inflow into the DCs can be seen.

State enterprising represents one of the whole series of state institutions and also one from the areas of state interventions into economy. If we accept the term state sector for all state institutions and all their activities, then state enterprising is only a part of state sector. Opposed to this wider understanding, there is used also a more narrow one. According to it, state sector in harmony with the ownership criteria means enterprising in the frame of state ownership. Also mixed companies, which the state does not fully own but controls their activities, are in this understanding a part of state sector. With regard to the important role of state enterprising which presupposes the state control over a part of national economy and thus an important change in the society economic structure, it is necessary to pay attention to the state sector in the narrow sense.

Economic role of the state can be dual. In some countries, the state acquired an expressively independent role, while in other it served rather for the private sector development. This idea is not new but is seems to be viable both from the social economic changes viewpoint, as well as with regard to the late development of state sector in the DCs.

In the first case, state sector took a relatively permanent, sometimes even main part in the economy. From the sectoral viewpoint, it participated not only in the development of infrastructure, but also of industry, agriculture and services. Its development was manifested not only by building of new enterprises, but by the home and foreign capital nationalisation. The economic and social development was supported by the state sector not only through creating favourable conditions for the private sector development but directly through building of state enterprises as well as economic policy including planning.

In the second case, private sectors permanently occupy the main place in national economy. The sate functions in infrastructure and the sectors where the private sector does not work, even if they are necessary for its development. State sector is developing mainly in the base of building new enterprises and it takes over private businesses only in case it is in the interests of the private sector. On the contrary, state enterprises are offered for takeover to the private sector. The state therefore influences economic development mainly through the private sector support and its economic role often tends to decline.

This differentiation does not, of course, cover the whole multitude of the developing world. During the after-war periods, there can often be observed two tendencies, notwithstanding the time and spatial specifics – the tendency towards the overall increase of the economic role of the state connected with strengthening of the independent role of state sector, and, on the other hand, the tendency towards state support of private sector connected with the decline of its economic role. There exist even countries where both tendencies mixed together, be it in time or in locality, but even in such cases, the development inclined either to the independent or to the subservient role of the state. In the 80s as well as at present, there has strengthened the tendency towards state support of the private sector in connection with the decreasing state sector efficiency and the market oriented development strategy.

However this explanation is sufficient on the general level, it does not cover the whole rich amount of the reasons leading to founding the state enterprises. The multiple different reasons are usually divide into several groups:

- private sector shortcomings, namely its capital weakness and the tendencies issuing from the wealth and poverty polarisation
- the advantages of large-scale production, the necessity of the state incomes increase and the fight towards inflation;
- capital accumulation difficulties, the lack of foreign currency
- control over the base of national economy
- the endeavour at the more proportional distribution and increase of employment.

An example of the selective motivation for the origin and development of state sector is the Indian Industrial Revolution in 1956, which brought about the basic orientation in the country. At present, the “State Sector“ has ripened in India. Besides the production means socialisation in the strategic sectors, state sector also secures the counterbalance to the private sector big enterprises growth. The growing role of state sector will be reflected in several segments. State sector not only will be the producer of the important and strategic goods but will be also efficiently utilised for the supply of basic goods for consumers. State sector will also be responsible for the support and development of many affiliated sectors and will contribute to the growth of decentralise production by the way of expertise supplied to the small and rural industry in the field of technology and management. The government endeavour will also be to manage state enterprises on the base of efficiency and profitability. The last Indian document testifies to this.

In the discussions on state sector, there are presented more than twenty different, in some cases even contradictory goals and motives:

- the endeavour for the strategic sectors of the NE control;
- support of agriculture;
- economic infrastructure building;
- development of lagging behind areas;
- securing of the weak strata of the society upbringing;
- natural monopoly utilisation;
- control over natural resources;
- fulfilling of tasks overreaching the private capital possibilities;
- securing competition for the private capital;
- increased supply of necessary consumption goods;
- securing employment;
- technology development;
- acquiring foreign currency;
- introduction of economic principles into enterprises traditionally managed as ministry departments or administration;
- prevention of the economic power concentration;
- full utilisation of economic resources;
- price stabilisation;
- take-over of lagging behind private enterprises;
- development of relying on own strengths;
- more proportional incomes distribution
- structural changes.

If the goals set or private enterprises are too vague or if there are too many of them even if precisely formulated, it is difficult to evaluate their results and efficiency. These goals should form the mains criterion of the state enterprising efficiency. Therefore, it is necessary to agree with the opinion that state enterprises should have set at their founding or their further development only several precisely formulated strategic goals the fulfilment of they would endeavour at.

At the state sector analysis, it is not possible to mix together the take-over of the existing and founding of new enterprises. The first case regards mainly the problem of the national wealth distribution among different classes and strata of the society. In the second case, it regards the growth of this wealth, what is regarded as more important in perspective.

Enterprise take-over, namely nationalisation, is important for the countries choosing this procedure from the viewpoint of creation more favourable conditions for further development. In the time of revolutionary social changes, it is of importance namely as a weapon weakening the economic base of the former governing classes or strata and supplying support to the new governments. For example, in 70s socialist-oriented governments took over power in Sri Lanka, Bangladesh and Pakistan. They endeavoured at a more radical economic policy and therefore came to a rather extensive nationalisation. Nationalisation can, however, play also other functions. For example, without the change of political orientation, the Indian government decided to nationalise six outstanding private banks in the interest of strengthening the control over the banking system on the country. Similarly this occurred also regarding the oil TNC in the OPEC countries.

Besides taking-over by the way of nationalisation, there exists in different countries a multiple scale of other forms. Building new state enterprises is, however, the most wide-spread one and characteristic for almost all DCs. Perhaps the best illustration supplies Pakistan. From

175 state enterprises registered in.1975, 12 were inherited, 9 nationalised, 77 taken over without the majority stocks parcel, 6 bought from private capital, 3 acquired by buying the majority stocks parcel, 2 added by the government after being left by the former owners and 70 newly built.

Newly built enterprises belong to the biggest in most DCs. To compete with their scope is possible only for the TNC enterprises or private national monopolies in some countries. It the list of 500 biggest companies excl the U.S., there were, several years ago, no private enterprises in the DCs, but only state ones. This fact does not mean that state sector also has the biggest share in the NE. It is so only exceptionally.

It is difficult to follow the long-term tendencies of the state enterprising in DCs. There exist no statistics for many countries, and the other publish them only irregularly. It is, as a rule, difficult to get any overview. According to partial information, the numbers of state enterprises were by the end of 80s as follows: India 109, Indonesia 220, South Korea 98, Malaysia 110, Nepal 68, Pakistan 172, Singapore 180, Srí Lanka 107 and Thailand 71.

It is also difficult to find out the state enterprising structural changes, but we can point out some prevailing trends. For example in Asia, there decreased in the state sector the share of transport, which used to be in past its traditional domain and, on the contrary, increased the share of banking as the key element in economy management, and in energy production, what underlines the strategic importance of the sector.

In some countries, there increased the role of processing industry, which usually represents the corner stone of the importance the governments ascribe to the state sector. This most important sector of the whole economy grew in scope and importance in almost all DCs, and in many of them the state sector participated in its increase more that the private one in past.

The development process, namely industrialisation of most DCs, led to the sharpening of social contradictions. Therefore, the governments often expected from state enterprises not only fulfilling the purely economic but also social tasks. Under such conditions, it can hardly be expected that the state sector would reach he same efficiency and profitability as the private capital ones. With the total increase of the role of state in economy, the state enterprise numbers and their share in GDP, the following of their commercial efficiency grew in importance, but showed a declining trend. Moreover, many state enterprises began to suffer from the whole series of shortcomings in the management and organisation, what lead

Not only to a low profit level, but even to losses. The governments then had to subsidise their performance. St a more extensive state sector, this deficit was and is perceived more strongly than in the time when state sector was rather of a limited scope.

There exist two groups of proposals to solving this problem. Either to sell the deficit state enterprises to private businessmen (privatisation) or to improve their management to such an extent that but they will become efficient also from the commercial viewpoint. The first alternative is hitherto prevailing (see the next part) but clashed with the obstacles consisting among other in the fact that private capital has shown no great interest in non-profitable state enterprises. The second alternative, state enterprises reform, is difficult in itself. It presupposes an objective analysis of the low profitability reasons, which are usually that complicated that their solution presents often an economic and social dilemma.

In the discussions, it is rightly stressed that the insufficient efficiency cannot be defended by fulfilling the social goals. Even social goals should be fulfilled efficiently. The efficiency of their fulfilment should, however, be measured by both profit and social criteria. And the sine qua non of measuring this social efficiency is the precise formulation of social goals and tasks. With all the stress put on social efficiency, the state sector should, however, realise an overproduct, and that namely in the countries where it has a permanently leading position. It should, therefore, be commercially profitable.

Privatisation in developing countries

Under the notion of privatisation, we understand namely the transfer of state (public) sector into private sector. In this sense, privation includes not only the sale of state property, but also privatisation based on different agreement, namely agreements on lease. The term privatisation is there used in a wider context including not only sale of state property, but also privatisation of state activities through contracts and leases, contracting out of the activities formerly supplied by the state (sale of railway tickets in the Republic of Korea or prison management in the U.S.). Privatisation might also mean the development of private sector as such, the development where the stress is put to the private initiative, strengthening of business elements and competition. Both exist in DCs as well as DMEs and in both processes the change in the balance of powers as well as interaction between the state and private sector occurs.

According to the complex resources, privatisation met with a greater success rather in DMEs than in DCs. The U.K. for the whole 80s and France since 1986, when the government changed, can serve as examples of a more extensive privatisation. In both countries, however, the government has kept the so-called golden stock in many important companies which partially got into the hand of foreign owners (e.g. Cable and Wireless, Enterprise Oil and Jaguar in the U.K.). Privatisation in them will go on (e.g. Renault, CGE and other in France). In other countries, e.g. in Germany, Japan, Italy only a limited privatisation went on and in Spain and namely Portugal, only first attempts were tried.

According to the WB reports from 1993 as well as a research in 37 DCs, the number of sold, leased or otherwise given over enterprises did not overcome, with the exception of Bangladesh and Chile, the number of 20. In total, there were sold into private hands 530 enterprises in 90 countries. In Chile, the number of state enterprises share in GDP decreased from 39% in 1972 to 24% in 1981 and , for the only by one year longer period, 232 state enterprises were sold and another 250 returned to original owners. In Malaysia, where privatisation started in 1983, only 14 state enterprises were given over to private sector and in Sri Lanka, a country with a very extensive state sector (40% of the processing industry), it were only 11 enterprises. In most countries, it regarded in majority small enterprises in the processing industry or services which had already formerly been in private hands. In these cases, as well as partially in Chile, it then regarded re-privatisation.

This not very accelerated progress is above all explained by a whole series of obstacles with which the privatisation endeavour in DCs has to cope. Inmost of these countries, there is still a very weak political and economic environment for business activities. Businessmen do not trust that the rules will be observed and fear the risk. In most DCs, capital market is missing so that it is difficult to find a customer. Privatisation is then connected with a long-term benefit, but demands not negligible sacrifices in increased unemployment and limited supply of goods in case of closing enterprises or limiting their activity in the long run. Also the governments are not always well prepared for privatisation. Another problem lays in the fact that there is a low demand for the non-efficient or little efficient state enterprises.

The main task of privatisation is removing the low efficiency of state enterprising. That is, to a great extent, connected with the monopolist or oligopolist position of some state enterprises. If privatisation was limited only to the change of state property into private, it is not very probable, according to the WB specialists, that the reached results, evaluated namely from the macroeconomic viewpoint, would mean a radical improvement. Therefore, it is necessary to support the demand that privatisation is accompanied by the creation of competition and liberalisation which would remove or at least weaken the monopoly. Otherwise, the state monopoly would just change into a private one with similar weak points.

Hitherto, privatisation cannot be evaluated as a profile trend of economic and social changes in DCs, but rather as a way which, under favourable conditions, could support economic growth and the progressive structural changes. More favourable conditions for privatisation can be, to a certain extent, created by the governments which are admonished to prepare privatisation projects with the help of international organisations like the IMF and WB. The success of privatisation can also be of a favourable influence for the economic role of state. Rid of the care of the non-efficient part of state enterprising, the state could concentrate more on the economic development regulation through the economic policy measures, which gained in importance during the 80s.

Privatised state enterprises, contributing to the competitive environment improvement, could also act as a factor creating economic pressure on improvement of the state enterprises performance, which will surely keep their important position in the many DCs economy also in future. Even these enterprises are undergoing, however, a reform characterised by strengthening of their independence and responsibility.

In the connection with privatisation, it is necessary to point out also the origin and development of enterprises managed in a considerable extent or even partially controlled by the workers. These enterprises exist in different forms both in the developing and developed market economies. Most widespread they are, probably, in the U.S., where there exists about 900 so-called ESOPs (enterprises based on the Equity Participation Ownership Plan), in which mainly the stock-holders are working. Even in other DMEs, e.g. in Spain (Mondragon) or France, such enterprises are developing in the form of co-operatives. In the DCs, such successful experiences are known namely from Latin America /Peru), but also from the less developed European countries (Malta).

CONCLUSION

A considerable advantage of such enterprises is, according to the accessible information, the long-term interest of workers in the results of their activities issuing from their ownership participation and realised by participation in decision-making. This way, a higher efficiency of the non-efficient state as well as private enterprises could be reaches, therefore the study of the mentioned experiences calls for proper attention also in future.

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