

WILLIAM J. BAUMOL, ed., *Public and Private Enterprise in a Mixed Economy*. New York: St. Martin's Press, 1980. xi + 308 pp., author index. \$40.00.

This volume is a remarkably interesting and effective treatment of some elements of public enterprise.

As a report of a conference held by the International Economic Association, it treats public enterprise in a variety of settings and forms, ranging from Electricité de France to garbage collection in the United States and kibbutzim in Israel. Practical issues of pricing and finance are mixed with theoretical discussions of incentives, planning, and growth. Like other conferences on the subject, it brings together academics and public-firm managers to share their lessons. In this case, both groups have important new ideas. Moreover the coverage is so varied that the volume offers more than just a sample of recent case studies. And William Baumol as editor has provided consistency in the level of the chapters.

I will first comment on the general message of the book and then deal with several chapters. Altogether the book continues the trend toward focusing on behavior and guidelines, rather than the fact of public ownership. There is little discussion of what makes public firms public, in contrast to my own 1976 volume.¹ Here the discussion asks (for whatever public firms exist) how they can be made to run better. Established criteria (such as developed by Ralph Turvey, Marcel Boiteux, Ronald Meek, and others) are not rehearsed. Nor are the "social" elements dissected. Rather the focus is on general conditions that may help make performance better. What "public," "social," and "good performance" may mean is taken for granted.

The conclusions generally fit the established literature: such things as competition, the avoidance of excessive size (to avoid scale diseconomies), applying incentives for effort, and setting limits on subsidies will promote efficiency. Also, unions will resist changes that reduce jobs: therefore policies to protect workers from the impacts of losing jobs will promote progress. Among all manner of structures, sectors, and historical factors, these conditions operate consistently.

Turning to individual chapters, I will consider first those that find poor

¹ William G. Shepherd and Associates, *Public Enterprise: Economic Analysis of Theory and Practice*. Lexington, Mass.: Heath-Lexington Books, 1976.

performance of public firms. Richard Pryke is most notable, switching from the praise in his 1971 book for U. K. public firms during 1948–1968 to a scathing critique of achievements since 1968. Yet he attacks the treatment of the firms from the outside, not their inherent nature: U. K. governments did too much ad hoc intervention in prices and wages, gave too generous subsidies, and appointed mediocre managers; unions were obstructive. With better guidance, constraints, managerial quality, and labor flexibility, the enterprises might have performed much better.

E. S. Savas finds that private contracting of garbage removal functions is more efficient than public systems. But here again the fault lies in specific conditions: monopoly and a lack of proper incentives. William Vickrey points out inefficient pricing of several kinds of services, urging a closer reliance on marginal costs and individual incentives.

Turning to favorable evaluations, we find Marcel Boiteux praising the considerable achievements of EDF and V. A. Marsan saying that IRI in Italy has performed better than is commonly recognized. H. K. Schneider and W. Schulz regard the highly variegated arrangements in West Germany's electric and gas sector as delivering good performance. Partial competition has worked by rewarding managers for seeking out efficient outputs and prices. And Haim Barkai finds good performance in kibbutzim arising from their inner cohesion and outer stresses. Other chapters, too, offer much fascinating experience, nearly all conforming to the general lessons.

The book therefore reaffirms the practical consensus that public enterprise permits good performance if the constraints and incentives applied to it are correct. The biggest failures come from outside, when government policies undermine public firms or lead them astray in predictable directions. Public enterprise is seen as a simple process or substance that responds routinely to limits. Indeed here, as elsewhere, one reads that public firms behave much the same as do private firms; publicness does not much matter, while the constraints are decisive.

This consensus view is cautious and attractive, but it needs to be enriched with a clearer articulation of publicness and of the social goals served by the firms. Even Dr. Baumol's perceptive summary can provide only the practical lessons for sensible observers: avoid monopoly, apply financial penalties where appropriate, and improve pricing rules. This volume is a valuable summary of experience, but there is still room for much work in defining what public firms are and what their performance ought to be.

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