

## **Partial privatization and foreign private firms' entry**

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### **Abstract**

This paper investigates the relationship between partial privatization and the entry of private firms. The effects of foreign private firms' entry on a public firm's output, profits and on home country's welfare are different from well known results, if the public firm is *partially* privatized. Furthermore, the effects of partial privatization on market performance, as well as the socially optimal degree of privatization, crucially depend on whether the new entrant is a domestic or foreign one. These findings provide new policy implications for a government that is considering privatizing its public firm, while facing the pressure of open markets.

**Keywords:** Mixed oligopoly, partial privatization, entry of private firms

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