



A Theory of Partial Sales and Underpricing in Privatizations: April 1991 (Classic Reprint)

By Fernando Branco

Forgotten Books, United States, 2015. Paperback. Book Condition: New. 229 x 152 mm. Language: English . Brand New Book ***** Print on Demand *****.Excerpt from A Theory of Partial Sales and Underpricing in Privatizations: April 1991 This paper develops a theory of gradual sales and underpricing of shares in privatizations. Gradual sales and underpricing are strategic devices used by policymakers to signal commitment when the capital markets are unsure about the governments type and attempt to infer it from observed performance. The model establishes for which firms the use of underpricing is optimal. Further, in the context of a multiple firm model, the question of when gradual sales can be abandoned is analyzed. 1 Introduction Among other things, the Eighties will be remembered as the decade of privatization: the selling of state assets is taking place at the same time almost everywhere. Perhaps surprisingly, most privatization programs seem to display important similarities. It is, for instance, true that, during the initial stages of the program, governments frequently use partial sales. Although a number of reasons has been offered, ranging from seller inexperience to stock-market liquidity constraints, none of these provides a completely satisfactory explanation. Also, it has been reported that...



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