

Privatisation, liberalisation and performance of divested firms in Spain

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Abstract: In this paper we review the main characteristics of the Spanish privatisation and liberalisation processes and their consequences for the performance of privatised firms. Using conventional pre- versus post-privatisation comparisons, we do not find over a medium term horizon significant improvements in privatised firms' profitability and operating efficiency once the industry effects are considered. But we find significant improvements in divested firms' industry adjusted profitability and efficiency over a long term horizon. Furthermore, the results of the study suggest that the economic environment may play an important role for the success of the privatisation processes, and that profitability and efficiency gains seem to take place in firms operating in competitive markets and in firms that were privatised during periods of macroeconomic growth. The results also support to some degree the influence on firms' performance of restructurings that take place before privatisation.

Key words: privatisation, liberalisation, firms' performance, firms' efficiency

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