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The Period of Management and Employee Buyouts, 1991 to 1995

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G. RODNEY THOMPSON AND CALIN VALSAN

Early Privatization in Romania

The Period of Management and Employee Buyouts, 1991 to 1995

The former centrally planned economies of Eastern Europe and the Newly Independent States (NIS) of the former Soviet Union continue to struggle with the privatization of their economies. In both the literature and the parliaments of the various countries, there are significant disagreements concerning the appropriate path to follow in this massive challenge. Amid the controversies, these governments have chosen eclectic approaches based on the economic, political, and cultural situation specific to each country. Fully ten years into the transition, there remains no dominant technique to assure equitable privatization of the large stocks of productive capacity in these economies.

This research focuses on the early stages of privatization in Romania and the distinct pattern of that privatization. As was the case in some neighboring countries, the Romanian government chose to combine cash sales with voucher privatization. Moreover, during this early period, management and employee buyouts became a common occurrence in Romania and continue to dominate. This research addresses the relative prices paid by inside investors versus those prices paid by outside investors, especially foreign investors, when acquiring state-owned companies in Romania prior to 1996.

The Origin of Privatization in Romania

In the summer of 1991, after much debate, the Romanian Parliament finally passed the country's first mass privatization law. The law established the legal

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