know-how and managerial cadres capable of consummating the privatization process has forestalled effective privatization in the countries considered, except of course Great Britain.

Undeniably though, as Vernon argues "Something is in the Wind" (p. 2). But that wind has not yet developed into a tempest. In this sense, the book has been written before its time. But insofar as being a pointer to what the world economic and business landscape may look like in the next ten to twenty years, it may be a timely book and invaluable to foreign policymakers and business leaders.

The authors have tenaciously refused to engage in the admittedly risky business of predicting the future of privatization. Moreover, while they have not characterized privatization as a panacea for improving the operating efficiency and hence profitability of ailing SOEs, they have given feeble support to privatization only by way of obiter dicta. The absence of a position on these matters not only makes it impossible for the reviewer to quibble with their argument but also reduces the book to a mere compilation of already existing information.

With the utilitarian Western mentality and aversion for ideology typical of scholars, Vernon discounts the role ideology has played in the surge of privatization. Instead he attributes it to the learning experience with SOEs over the last twenty years. It should be remembered that the book is about economic phenomena in Latin America and Africa, where ideology often reigns supreme. The evidence is clear and abundant in Guinea, Chile, Turkey, Brazil, etc., where privatization began as the result of the break with the ideology of the ancient regime.

Lastly, it is hoped that a more analytical work, which includes the lacunae mentioned above and others, will be published in the near future. However, the reservations expressed above should not detract from Vernon’s book being a welcome addition to the literature on privatization policy and process.

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The Finance and Taxation Decisions of Multinationals
by Julian S. Alworth
New York: Basil Blackwell, 1988
Reviewed by Raj Aggarwal
John Carroll University

This book by Julian Alworth, an economist with the Monetary and Economic Department of the Bank of International Settlements in Basle, is based on his doctoral thesis at Oxford University. It focuses on the impact of tax regimes on the activities of multinational corporations (MNCs), a topic not widely or well covered in other writing on MNCs. This book covers both theoretical and empirical aspects of this topic and, while it discusses the tax policies of many countries, a great deal of the empirical results presented in this book deal with the behavior of British MNCs.
Dr. Alworth contends that large multinational companies enjoy a prominent position in the world economy, they account for a sizable share of world output, are major employers in many industries, and play a significant role in developing and spreading new technologies. Further, he contends that the internationalization of economic activity has also begun to involve many small- and medium-sized firms as a result of the declining costs of transportation and communication, the growing importance of cross-border trade, and the increasing integration of financial markets. The importance of foreign direct investments has been widely recognized and many governments have established investment incentive programs with the purpose of attracting these activities. At the same time, multinational companies are perceived as being able to thwart many government policies by their ability to shift easily the location and jurisdiction of their transactions. Not surprisingly, they are often accused of exploiting their host countries and, in many countries, MNCs are a subject of acrimonious disputes as to their effects on national welfare.

The central problem raised by the taxation of direct investment is that at least two tax systems claim jurisdiction over the same income, and there is a wide range of possibilities when it comes to determining the ultimate tax liability of an MNC. In contrast with domestic tax systems where companies are generally taxed at the same nominal rate, in the international context the income earned on foreign operations may incur taxes over a wide range of nominal rates. Moreover, the ultimate burden of such taxes is determined by the complicated interplay of differing definitions of the tax base, separate taxation of various components of intracompany income flows, and regulations affecting capital movements and investment incentives. This widely varying tax treatment of foreign income can contribute to potential distortions in the structure of international trade and investment particularly with regard to the relative competitive positions of companies and countries. Firms located in some countries or industrial sectors may be able to compete more effectively as a result of a more lenient tax regime. For example, the U.S. corporate sector feels that U.S. international tax regulations "are crippling U.S. competitiveness aboard" [Baldo 1989]. International competitive differences may also arise from fiscal policies which discriminate between domestically owned and foreign-owned companies. However, by being able to straddle various tax jurisdictions and exploit the arbitrage opportunities which this permits, MNCs may enjoy an advantage over firms which do not carry out production or finance their investments in more than one country (e.g., Bracewell-Milnes [1980]).

Many problems of international taxation arise from the conflict of objectives pursued by host and home countries. Countries differ with respect to the productivity and net position of their foreign investments (both incoming and outgoing). Governments often utilize the tax system to acquire leverage over MNC activities that they feel otherwise escape their control. Hence, differing incentives, competing interests, and conflicting objectives will