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structure of Czech corporate sector rather, it intends to raise the individual work effort and attract students further to a deeper study of selected topics in other courses. Therefore we hope that the course Business Management in the Czech Republic, represented by this textbook, will provide a welcome stimulation for students in their studies.

in most of them as of great importance. It is thought that this should still be taken into account in which the the costs of production are minimised according to the relative price structure and the output structure is oriented toward market signals given by the preference structure.

Privatisation-in connection with deregulation and demonopolisation-is expected to reform and overcome the inherited industrial structure characterised by, to some extent, extreme, horizontal and vertical concentration. The new co-existence of the principal-agent relation serves as a reformed framework for cost-effective and profit-oriented market behaviour.

In the framework of a general hardening of budget constraints, privatisation of state-owned enterprises is conceived to be fundamental, accompanied by the enabling of market entry and the consequent enforcement of market exit. Nevertheless it has been emphasised that necessary financial, organisational and technological restructuring has to take place in the state-owned industrial sector before privatisation. Hence privatisation attempts to overcome the 'no-entry, no-exit economy', which is characterised by soft credit constraints, laxity in tax collection, direct subsidies for industrial policy motives, protectionism and selective sectoral policies.

Widespread privatisation, necessarily including the banking sector, is thought to remove the inefficient capital and labour allocation that are well known defects of socialist economic systems. Capital wasting and labour hoarding as effects of distorted relative prices and market structures can only be eliminated in the framework of a microeconomically sound ownership structure.

A socioeconomic argument in favour of privatisation is strongly related to Hayek's conception of a pluralistic society of owners as the basis of a modern market economy and even of democracy. This has nothing to do with widespread and diffuse 'people's capitalism', in which