

Behaviour of Participatory Firms in Yugoslavia: Lessons for Transforming Economies

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Abstract

In this paper we challenge the orthodox view of participatory and labor-managed firms by presenting and estimating a more general model that nests the traditional view as a special case. Our model is also more realistic because it includes government and management as potentially relevant decision-makers and hence captures an entire spectrum of institutional settings, including enterprises in transitional socialist economies and western firms with workers' and/or government co-determination of enterprise policies. We use data from a large sample of Yugoslav firms during the 1970s and 1980s to show that the more general model is better supported by the data than the traditional view.