

# **Wage Determination in Labor-Managed Firms Under Market-Oriented Reforms: Estimates of Static and Dynamic Models**

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## **Abstract**

In this paper we present a framework for analysing the wide range dispersion observed in a suddenly decentralized socialist system with workers' control. We model a process through which workers may appropriate capital rents as income and, using Yugoslav data from the 1960s and 1970s, we estimate a dynamic approximation to an earnings equation and an equation derived directly from a dynamic model. Our principal finding is that the appropriation of capital rents by workers does not account for the wide inter-industry earnings differentials observed in the relatively free market of Yugoslavia during the 1960s and 1970s.