

Structural Adjustment Policies and Productive Efficiency of Socialist Enterprises

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Abstract

In 1989, the Yugoslavs passed a new Law of Enterprise, which eliminated many of the compulsory features of labor-management (including the divisionalization of firms) and legalized firms with a variety of property rights and decision making structures. In the area of enterprise policies and regulations, one hence observes a sudden convergence of the centrally planned and labor-managed systems. More over, while the rate of change in Czechoslovakia, Hungary and Poland has been phenomenal, there are important lessons to be learned from Yugoslavia's experience with various forms of enterprise autonomy, use of western capital and extent of joint ventures with western firms, foreign trade exposure of individual enterprises, and attempts to correct the enormous (government-induced) concentration in the product market. In this paper we use panel data from a unique stratified random sample of Yugoslav enterprises to estimate the effects of these structural/policy features on productive efficiency of Yugoslav socially owned firms. The results are of course primarily relevant for Yugoslavia. However, as our discussion indicates, they are also of interest for other reforming socialist economies and for developing countries in general.