

ever contemplated in that colony. It was ruled by colonial administrators—albeit with principles that would have delighted Adam Smith.

The question raised by the ex-Communists still remains: Is it *necessary* to have a dictatorship, however distasteful, in order to reform a Communist system? I wish I could confidently assert that a dictatorship was certainly not necessary, but I can find no warrant for such an assertion. The ramblings of our statesmen on this issue may well be a consequence of our “thinkers” being unwilling to face squarely an obvious dilemma.

Finally a grouse. In my view one of the great economists who pulled out a critical lynchpin from the facade of socialist thought was Nobel Laureate Ronald Coase—one of Seldon’s teachers at the London School of Economics in the 1930s. In his magnificent article “The Problem of Social Cost,” Coase (1960) showed that in a competitive free-market system, private costs are the same as social costs and that the market would internalize “externalities” if transactions costs are low. Seldon frequently refers to externalities and often rubbishes the arguments, usually non sequiturs, for government intervention or ownership. But I am at a loss to understand why he did not employ Coase’s lethal weapons against such sophistries.

Unlike most books on economics these days, Arthur Seldon’s book is a good read. Sometimes he charms, sometimes infuriates, but all for the good of the cause—Capitalism.

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Marxism and Workers’ Self-Management: The Essential Tension

David L. Prychitko

New York: Greenwood Press, 1991, 153 pp.

David Prychitko defines the purpose of his book *Marxism and Workers’ Self-Management: The Essential Tension* as follows:

The crucial issue for the Yugoslavs, Gorbachevites, and other Marxists who hold out hope for decentralized, worker-managed socialism is whether the crisis of Yugoslav-style self-management resulted from poor practice and implementation in Yugoslavia, or whether it stems from a more fundamental problem of theory and system that goes all the way back to Marx himself.

The book has six chapters that explore this key issue.

Chapter 1 offers a brief discussion of the utopian socialists and their influence on Marx. Prychitko makes an interesting point in this chapter about Marx's appreciation of the effects of the "age of science" on the intellectual community. According to Prychitko, Marx replaced the wishful thinking of the utopians with the concept of scientific socialism. As such, Marx was able to exploit the prevailing mood of his times, which was sympathetic toward market socialism.

In chapter 2, Prychitko takes issue with Roberts and Stephenson (1973) who argue, in what is still perhaps the best analysis of Marxism, that the elimination of commodity production and market exchange in socialism means that Marx considered scientific socialism to be centralized and hierarchical. By questioning this conclusion, Prychitko ends up giving too much credit to the so-called praxists and their interpretation of Marx. My conjecture is that the praxists' (most of them Yugoslavs and all of them hard-core Marxists) interpretation of Marx reflects their self-interest rather than Marx's analysis of social change. By interpreting Marx as a believer in a participatory economy and non-alienated socialist society, the praxists were able to provide the left-wing intellectuals in the West with a flow of exciting ideas for new social experiments and, at the same time, create a market for themselves in Western universities. For example, Prychitko quotes Mihailo Markovich, a leading Yugoslav praxist, as saying in 1974: "An essential condition of such fundamental human liberation is the abolition of any concentration of political and economic power in the hands of any particular social group" (p. 51).

Chapter 3 is a review of the literature on the never-ending search by social engineers for institutional arrangements that could replace private ownership and competitive markets without a major loss in efficiency. It is a good chapter and I have only two comments. First, Prychitko left out of his discussion an instructive event from the history of labor participation in the management of business firms. About 1848, the German parliament failed to pass legislation that was intended to create representation of workers in privately owned business firms. However, within a short period of time some provisions of that act were *voluntarily* implemented by a number of firms—the point being that in a private-property, free-exchange environment the owner(s) and his workers do not need law to make institutional arrangements that are mutually beneficial. Second, Prychitko wrote: "The contemporary debate has shifted to the interesting, though more narrow and *less fundamental*, problem of the self-managed firm's ability to realize appropriate and efficient incentives with respect to output, employment, and investment decisions" (p. 55, emphasis added). I think that the effects of self-management *institutions* on incentives and transaction costs are very fundamental for the study of self-managed socialism.

In chapters 4 and 5, Prychitko reviews the on-going debate over the self-managed enterprise and its viability. His discussion of all the various models of labor participation in the management of business firms is

straightforward and correct but not as analytical as those of Jensen and Meckling (1979) and Milic Milovanovic (1990). First, a major problem with the works of Vanek, Horvat, Meade, and other proponents of self-managed socialism is that they do not clearly specify the basic institutional and contracting rights they have in mind. Thus, their models cannot identify incentives and transaction costs that are *specific* to self-managed socialism. Consequently, they ignore the behavioral implications of those specific transaction costs and incentives on the performance of the system. Second, Prychitko fails to draw some important implications from the fact that Vanek, Horvat, and other proponents of self-managed socialism have to search for and use various immunizing stratagems—most of which contain elements of private ownership—in order to deal with negative incentives and high transaction costs of self-managed socialism. But if one could improve the efficiency of labor-managed socialism by introducing elements of private ownership into the system, then it would appear that *full* ownership rights could do even more for that system.

In sum, while Prychitko's book is a well-written and useful account of the on-going debate on the viability of self-managed socialism, it fails to provide a convincing analysis of its stated purpose. Those who support self-managed socialism are eager to establish a difference between the "efficiency" of their models and the Yugoslav experience with self-management. In general, the failure of self-managed socialism in Yugoslavia is seen by them as a consequence of the Communist party's political monopoly and the size of the bureaucracy. That may or may not be the case. However, the analytical issue to be raised here is: Does labor-managed socialism require an effective political monopoly in order to protect self-managed firms from competition by other methods of organizing production? I do not think Prychitko has addressed that issue.

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The Economics of Apartheid

Stephen R. Lewis, Jr.

New York: Council on Foreign Relations Press, 1990, 196 pp.

Most writing about South Africa is little more than moral exhibitionism. Stephen R. Lewis spends only a sentence or two acknowledging the