

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

moral reprehensibility of apartheid, and then he moves on to more substantive issues.

In his first chapter, Lewis sets out to provide the reader with an outline of the origins of apartheid. Mine owners seeking to avoid higher wages as they competed to hire black workers formed noncompeting collusive hiring arrangements. These collusive hiring agreements were later reinforced by the 1911 Native Labor Regulation Act that made it a crime for blacks to break a labor contract. Meanwhile, white workers, who did not want to compete with low-wage blacks, sought protection through restrictive licensure laws and a Status Quo Agreement that set a limit on the number of blacks that could be hired in certain jobs. The mining companies' violations of agreement led to the 1922 Rand Rebellion, the most violent strike in South Africa's history. The government had to use troops, artillery, and aerial bombardment to end the strike, and in the process 300 whites were killed. The strike led to the downfall of the Smuts government and the rise of successive governments sworn to create and protect white privilege.

Lewis intends only to give a thumbnail sketch of the history of apartheid, but in doing so, he fails to even mention the magnitude of the task of creating white privilege. At nearly every turn, whites as businessmen, farmers, and consumers violated, contravened, and cheated on apartheid protections. They did so, not because they did not share the ideology of white supremacy, but because the higher profits and cheaper prices possible through cheating offered powerful inducements.

Chapters 2 and 3 contain a discussion of the growth and structure of the South African economy and its relation to the international community. Lewis presents statistics on sectoral growth, distribution of earnings over time by race, homeland GNPs, and many more facts useful to anyone trying to get an economic glimpse of South Africa. The extent to which foreign trade accounts for economic activity in South Africa is impressive and often surprising to those unfamiliar with South Africa's economy. Between 1912 and 1985, foreign trade accounted for no less than 50 percent of South Africa's GDP. Gold is a dominant export.

Because foreign trade does play such a large role in South Africa's economy, one might plausibly expect South Africa to be vulnerable to international economic pressure. The usual assumption is that foreign direct investment, technology, and capital are linked. If foreign direct investment is cut off, access to technology is cut off as well. Lewis argues that this assumption is not valid for South Africa. He points to the Japanese dominance in South Africa's auto industry, for example, where there is no Japanese direct investment. Japan achieves dominance, and South Africa achieves technology transfer, based solely on product and technology licensing.

World revulsion to apartheid has led to sanctions, disinvestment, and embargoes. And though there is considerable debate over the efficacy of sanctions, disinvestment, and embargoes in achieving their stated goals,

THE FAILURE OF SOCIALISM

Those of us who have lived under socialism exhibit the once bitten, twice shy syndrome. Perhaps Western socialism is in fact different and will produce different results. But we observe with growing apprehension the ominously familiar personality types, misconceptions, and attempts to institute this system of thought. The truth of the matter is that the various ideas that seem fresh and innovative to Western specialists have already been tested in the USSR. And if some of those experiments were eventually repudiated, it was not because socialism has been perverted in the USSR, as Western commentators claim, but because these innovations proved to be utterly unfit for real life. A cruel experiment half a century long has failed to alter human nature.

—Vladimir Bukovsky

To Choose Freedom

(Stanford, Calif.: Hoover Institution Press, 1987), p. 127.