

Self-managing Socialism
Regime of the 1974 Constitution in
Former Yugoslavia

Yoji Koyama

Faculty of Economics

Niigata University

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Faculty of Economics

Niigata University

Fax: 81-25-263-3262

2-8050, Ikarashi

Niigata-shi, 950-21

Japan

Author: Yoji Koyama

Professor of Russian & East European Economies

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P r e f a c e

Since I was a graduate school student I studied the economic history of the Soviet Union, especially the NEP(New Economic Policy) and the relation between the socialist industrialization and the collectivization of agriculture. Gradually I felt it difficult to continue my study of the Soviet Union due to a shortage in materials for research. In addition, I was an adherent of 'socialism with a human face'. I could not feel any zest in studying state socialism. It was the Autumn of 1978 that I visited Yugoslavia for the first time. I was motivated by an interest in Yugoslavia's unique socialism which was based on self-management and non-alignment. Owing to a scholarship from the Yugoslav government I could study at the Faculty of Economics, University of Belgrade for nearly one and a half years. My instructor at that time was Professor Dušan Čobeljčić. I stayed mainly in Belgrade till the end of March 1980. Since then I have concentrated my energies on the Yugoslav economy. Even after returning home I was given opportunities to make field studies on actual situations of self-management in Yugoslavia. The first time: from May through July 1984 owing to an invitation by the Confederation of Trade Unions of Yugoslavia. The second time: from August through October 1986 owing to a Grant-in-Aid for International Scientific Research by the Japanese Ministry of Education(Monbusho). The third time: from April through May 1991 owing to a Grant-in-Aid for Scientific Research by the Nomura Foundation. Also Grants-in-Aid for Scientific Research by Monbusho in 1981 and 1984 encouraged my study. Owing to these grants and cooperation with many Yugoslav people I was able to publish more than 40 papers. I made the acquaintance of many Yugoslav people. But these friends are living in different countries now. It is

to be deplored that the nationalities which made up the former Yugoslavia are now combatting each other. I am pained by the news about tragedies in Bosnia-Herzegovina and other places.

Now I would like to bring together my studies on Yugoslav self-management socialism. I would like to study intensively the process of transition to market economy in the Russian and East European Economies, with more emphasis on Russia. On this occasion I am planning to publish a book entitled *Study in Yugoslav Self-management Socialism: Movement of the Regime of the 1974 Constitution*. Of course, the book is to be written in Japanese. But I am not sure when it will become possible for me to publish this book because it is extremely difficult to publish scientific books within Japanese book market. So, in the hope that foreign researchers would understand my study I have decided to publish an English version first. This version is not a simple translation of the Japanese version. The Japanese version will exceed 400 pages while the English version is only about 100 pages. The latter is composed of several papers which I have already published in English and one chapter which was newly translated.

The titles of the English papers which I have already published are as follows:

- A: "The Self-managing Community of Interest in Yugoslavia: with Reference to Local Autonomy"(Journal of Economics Niigata University, No.35, 1984)
- B: "The Recent Economic Situation in Yugoslavia and the Role of Work Organizations"(Journal of Economics Niigata University, No.41-42, 1987)
- C: "Collapse of the Regime of the 1974 Constitution: An Underlying Cause of the National Conflicts in the Former Yugoslavia"(Paper submitted to the International Symposium 'Transformations in Eurasia and Emerging New World Order' , which was held at Sapporo, 2-3 September, 1993. This paper was later included in a book, Takayuki Ito & Shinichiro Tabata(eds.), *Between Disintegration and Reintegration: Former Socialist Countries and the World since 1989*, Slavic Research Center, Hokkaido University, Sapporo,

Japan, 1994.)

Paper A became Chapter 3 of this book and paper B Chapter 2. Paper C was divided into 2 chapters: Chapter 1 and Chapter 5. Chapter 4 is newly translated. Sentences which I have recently added are inserted in parentheses[].

Although I perceived many immature and over-optimistic descriptions in my earlier works, I have kept modifications to a minimum so that readers would better understand the development of my thinking. Unfortunately the results of my field studies are not satisfactorily reflected in this English version, and the general thesis on Yugoslavia which I have described in the Japanese version has not been developed in this English version. Nevertheless, I hope that this tiny book will be useful for international scientific cooperation and dialogues in this field. I would appreciate if readers would give me critical feedback.

Although I cannot afford to mention all the names, I would like to express my gratitude to my friends and various organizations in the former Yugoslavia for their help and cooperation. Also I would like to express my gratitude to Japanese researchers for their opinions and advice. I hope that peace will prevail in Bosnia-Herzegovina as soon as possible. Finally I would like to add that a Grant-in-aid for scientific research by Monbusho(No.05832003) enabled me to publish the results of my research as a book like this.

January 10, 1995

Yoji Koyama

C o n t e n t s

	Page
Preface	1
Explanatory Notes	5
Chapter 1 The Regime of the 1974 Constitution	7
Chapter 2 Self-managing Enterprises	13
Chapter 3 The Self-managing Community of Interest(SIZ) in Yugoslavia :with Reference to Local Autonomy	31
Chapter 4 Economic Crisis	55
Chapter 5 Collapse of the Regime of the 1974 Constitution: An Underlying Cause of the National Conflicts in Former Yugoslavia	82
Conclusion	101

E x p l a n a t o r y N o t e s

Work Organization(Radna Organizacija; RO) This corresponded to an enterprise in the usual sense. It also denoted a public facility such as school, faculties, hospital, theatre, museum, etc.

Basic Organization of Associated Labor(Osnovna Organizacija Udruzenog Rada; OOUR) This was a basic unit of self-management

Composite Organization of Associated Labor(Slozna Organizacija Udruzenog Rada; SOUR) This is an association of enterprises which more than two ROs establish by concluding a self-management agreement.

Work Community(Radna Zajednica; RZ) This was the part where joint subsidiary works such as clerical work, accounting, etc. were executed within a RO or SOUR.

Organization of Associated Labor This was a generic term of OOUR, RO, SOUR and RZ. In Yugoslavia this was used in the context where an enterprise was being discussed in capitalist countries and other socialist countries.

Socio-Political Community This was a generic term of federation, republic, autonomous province and commune. In most cases it denoted a commune.

Local Community(Mesna Zajednica; MZ) A territorial unit which consisted of a commune. A commune had 21 MZs on average. A MZ had 2.5 settlements and a population of about 2,000.

Socio-Political Organization This was a generic term for the League of Communists of Yugoslavia, Socialist Alliance of Working People(organization of a unified front), Confederation of Trade Unions of Yugoslavia, Socialist League of Youth and Veterans' Association.

Self-managing Community of Interest(Samoupravna Interesna Zajednica; SIZ)
This was organized to further self-management in the spheres of public services and to connect directly both the providers of services and users of services(=providers of funds) without the mediation of either state finance or markets.

Chapter 1

The Regime of the 1974 Constitution

I. Emergence of the Regime of the 1974 Constitution

It is well known that the attempt to initiate a workers' self-management movement began in 1950. Self-management had been developing despite frequent institutional changes. Here I cannot afford to trace this development in detail. With the introduction of self-management, Yugoslavia endeavored to gradually transform her economy from a highly centralized planned economy of the Soviet type to a decentralized self-managing economy. The state continued to play a big role in economic spheres until 1965. The economic reform of 1965 transferred many competences which the state had enjoyed thus far to enterprises. On the one hand, this brought the further development of self-management. On the other hand, the reform was accompanied by various problems characteristic of a market economy, such as unemployment, inflation, and the spread of differences among enterprises. In addition, assets which the state had possessed in the form of the "General Investment Fund" were transferred to banks. As a result, the economic power of banks and trading companies in Belgrade was reinforced. Croatia complained about the way foreign currency was distributed.

In June 1971 an amendment to the 1963 Constitution was promulgated in order to cope with the above-mentioned problems. Firstly, according to this amendment, sovereign rights were to be exercised by the Republics or Provinces. At the level of the Federation only sovereign rights which were definitely established by the constitution were to be exercised on the basis of consensus by all the Republics and Autonomous Provinces.¹⁾ Thus the Socialist Federal Republic of Yugoslavia became a Federation with a tinge of Confederalism. Secondly, this amendment aimed at the further development of self-management. The ideas of the 1971 constitutional amendment were later systematized in the form of the 1974 Constitution. In the course of enacting the 1974 Constitution a politically significant event took place.

In January 1970 the leadership of the League of Communists in Croatia decided to adopt a strategy of dependence on a wide alliance, including nationalists, in the struggle against economic unitarism.²⁾ In the course of struggle for decentralization, Matica Hrvatska, which was originally a cultural society, demanded reduction of the federation's power. This idea quickly gained broad support among Croats. Some leaders of the League of Communists in Croatia, especially Miko Tripalo (member of the Federal Presidency), Savka Dabcevic-Kucar (Party Chairman in Croatia) and Pero Pirker (Party Secretary in Croatia) gave support to this movement in order to consolidate their bargaining power against Belgrade. However, Matica Hrvatska's claims became radical and went beyond the control of the League of Communists. In November 1971, Matica Hrvatska published the final text of its proposed revisions of the draft amendments to the Croatian Constitution and launched a Republic-wide campaign for their adoption. Matica Hrvatska's claims were as follows:

- Croatia would be a sovereign national state of the Croatian nation, with its sovereignty based on the right to self-determination, including the right to secession;
- Croatian was to be the sole official language;
- Croatian authorities would exercise full control over all tax revenues collected

in Croatia with only "voluntary" contributions to the Federation on the basis of inter-republican agreements;

- Separate Croatian monetary policy and bank of emission;
- Croatian recruits with the Yugoslav People's Army would normally serve only in the Republic, and there would be an autonomous Croatian territorial army.

At the meetings of Matica Hrvatska and students many issues were discussed, including Croatian membership in the United Nations, a real "federalisation" of the Yugoslav army, a revision of the Republic's frontiers at the expense of Herzegovina and Montenegro and a separate foreign policy. Under the influence of Matica Hrvatska, Students of Zagreb University organized a strike. The student leaders called for the extension of the strike to the entire Republic and appealed to workers to begin a general strike.³⁾ Yugoslavia was poised on the brink of breakup. Only Tito could prevent the breakup and he did intervene in the affairs in Croatia. The Croatian triumvirate was obliged to resign and was later expelled from the Party.

At the 21st session of the Presidency of the LCY in Karadjordjevo on December 1-2, 1971, leitmotif included two apparently contradictory themes: strengthening of Party control and the Party centre, and the strengthening of self-management. This session was a turning point because thereafter democratization of the Party, which had been pursued since the 6th Congress in 1952, was braked and recentralization of the LCY was begun. In an interview at the beginning of October 1972, Tito stressed that nationalism had its own class foundation and expressed a rather stalinist outlook on nations.

Nationalism and socialism are absolutely incompatible. Those are two quite contradictory matters. Nationalism derives from the bourgeois era and the defeated bourgeois system where private ownerships had dominated.⁴⁾

After that, Party leaders of Serbia, Slovenia, Macedonia and Vojvodina, who had been criticized for their "liberal" lines, were forced to resign one after the other.⁵⁾ In addition, drastic reshuffles of managing staffs occurred in newspapers, radios, TVs, magazines, publishers and cultural facilities, followed

by dismissals of general managers of big companies("economic cultural revolution").

II. The Outline of the Regime of the 1974 Constitution

The new constitution was enacted in May 1974. Firstly, this constitution determined that Yugoslavia should exist as a loose Federation. The new constitution allocated to the Republics and Autonomous Provinces primary sovereignty and all powers except those explicitly granted to the Federation. The Federation's powers were restricted almost entirely to foreign policy, national defence, and measures necessary to ensure a unitary Yugoslav market, common monetary and foreign trade policies, the principles of the political system and ethnic and individual rights.⁶¹ The Presidency of Yugoslavia as a collective head of state was to be comprised of 9 members, that is, a representative from each Republic and Province plus a Party President. Although Vojvodina and Kosovo, which were Autonomous Provinces within the framework of the Republic of Serbia, had fewer delegates in the Federal Assembly, the both Provinces enjoyed de facto the same position as a Republic in the sense that they had a veto in decision-making at the Federal level.

Secondly, the 1974 Constitution aimed at promoting self-management in the following areas: 1. In order to eliminate technocracy in enterprises and to realize self-management by workers, "work units" in enterprises were made OOURs(Osnovna Organizacija Udruzenog Rada; Basic Organization of Associated Labor) and were made the basic units of self-management. Enterprises were to be reorganized into loose associations of OOURs; 2. In order to also develop self-management in the spheres of public services such as education, medical care, culture, physical culture, children's protection, employment, etc., SIZs(Samoupravna Interesna Zajednica; Self-managing Community for Interest) were to be introduced. SIZs were to be organized for each sphere and for every

region. Usually the commune was a basic unit of the SIZ. This new type of organization was derived from the idea that public services should neither be entrusted to market mechanisms nor be maintained by the state budget but that providers of those services should be directly connected with users of those services, that is, the providers of funds; and 3. A planned development of the economy was to be assured by spreading a network of self-management agreements and social contracts as an instrument of ex ante adjustment of self-management organizations' interest. This way of adjustment would be later called "dogovorna ekonomija"(negotiation economy) by people who were critical of the regime. In addition, the banking system was reformed and banks were made financial institutions which were to serve self-managing enterprises. Commercial enterprises were forced to share the income as well as the risks of their operations with the business partners whose goods they handed.⁷⁾

III. The Characteristics

The Regime of the 1974 Constitution, firstly, had carried out decentralization and strengthened the powers of republics and autonomous provinces in order to bring nationalistic movements under control and at the same time to secure political stability. Secondly, the regime had pursued economic democracy through the elimination of technocracy and the realization of self-management in workplaces which had been smaller than enterprises. Likewise in the socio-political system the regime had pursued thorough democratization and "de-professionalization" of politics by making a great number of workers and citizens participate in politics through the delegate system(delegatski sistem). What is more, communists in Yugoslavia wanted to realize them within the framework of the one-party system.

Although Yugoslavia had a uniqueness in decentralization and de-etatization, she had a specific character in common with socialism of the Soviet type in

respect that she denied the multi-party system. In short, the regime instituted by the 1974 Constitution supposedly aimed at economic democracy in a utopian way but had, in fact, been sustained by the LCY which all along had bound this decentralized self-managing socialism into a country by mobilizing the masses. It meant that as long as the LCY could preserve its prestige the regime was on safe ground but if the LCY lost its prestige among the people the regime could not be maintained.

Notes

- 1) Dusan Bilandzic, *Historija Socijalisticke Federativne Republike Jugoslavije: Glavni Procesi*, (Zagreb: Skolska Knjiga, 1978), str.378.
- 2) In the description of the Croatian national movement in 1971 and of the regime of the 1974 Constitution I am indebted to Dennison Rusinow, *The Yugoslav Experiment 1948-1974*, (Berkeley & Los Angeles: University of California Press, 1977)
- 3) Ibid., pp.305-306.
- 4) Josip Broz Tito, "The Most Important Problems that the Party faces", *Sekai seiiji shiryō*[*Materials on World Politics*], No.395(1972), p.46.
- 5) Paul Shoup pointed out the Slovenians' mistake as follows: In the late 1960s, the leadership in Serbia under Nikezic was more liberal than in Slovenia. The failure of the Slovenes to come to the support of Nikezic in 1972, when he was under attack by Tito, was a cardinal mistake by the Slovenians. Paul Shoup, "Titoism and the National Question in Yugoslavia: A Reassessment", in Martin van den Heuvel & Jan G.Siccama(eds.), *The Disintegration of Yugoslavia: Yearbook of European Studies 5*, Amsterdam-Atlanta, GA 1992, p.64.
- 6) Rusinow, op.cit., pp.284-285.
- 7) Ibid., p.330.

Chapter 2

S e l f - m a n a g i n g E n t e r p r i s e s

Up until late 1970 Yugoslavia had achieved economic growth with relatively high rates in the decentralized self-management system. From the beginning of 1980, however, the Yugoslav economy had been stagnating and faced difficulties. As is well known, Yugoslavia has had an open economic system since early 1960 and is therefore susceptible to influences of the international economic environment unlike the socialism of the Soviet type. But it seems that the economic difficulties originated not only in the negative influences of the world economy since the mid 70s but also in weakpoints inherent in the self-management system that were unable to overcome them. In order to overcome these difficulties, the long-term programme of economic stabilization was put into practice in 1984. It seems that this programme had an aspect which partially revises the so-called the Regime of the 1974 Constitution.

In this chapter I would like to clarify how Yugoslav people coped with the economic difficulties and how they endeavored to develop self-management in the face of the economic development. For this purpose, at first I will explain the outline of the regime of 1974 Constitution and survey the very recent economic situation. I will then review discussions concerning the role of work organizations, that is, enterprises.

I. "Self-managing Enterprises" in the Regime of the 1974 Constitution

The regime of the 1974 Constitution was constructed on the basis of the reflection that the economic reform of 1965 resulted in the emasculation of self-management. Specifically, in the late 1960s and early 1970s the so-called technocrats in enterprises came to the fore and the influences of workers' councils and trade unions in enterprises became weak as a result of expansion in the scale of enterprises, competition between enterprises, economic operations giving priority to efficiency, etc.

At the beginning of the 1970s the anti-technocratic movement increased in power and the new direction in the construction of self-management socialism was gradually worked out. To begin with, the 1971 Constitutional Amendments, which were called "Workers' Amendments", introduced Basic Organization of Associated Labor (Osnovna Organizacija Udruzenog Rada, OOUR in short).¹⁾ Instead of enterprises (Work Organizations in the Yugoslav terminology), the Amendments aimed to make to smaller working units (OOURs) the smallest units of workers' self-management on a level closer to workers. And it was decided that self-managing communities of interest (SIZs) would be created between the material productions and the sphere of public services such as culture, education, science, medical care, insurance, etc.²⁾ A great emphasis was laid on the conclusions of self-management agreements and social compacts as means of coordinating interests of self-management organizations and realizing self-management integrations along with market mechanism. In such new conceptions concerning the construction of self-management socialism we can find the strong theoretical influence of Edvard Kardelj, who was the president of the coordinating committee on the constitutional problem, the greatest theorist and prominent leader next to Tito in the League of Communists of Yugoslavia at that time. The Constitution of 1974 is the systematization of these new conceptions of workers' self-management. Many system related laws such as the Associated labour Act (1976), the Social Planning Law (1976), were

successively enacted so as to give concrete forms to the ideas of the Constitution of 1974. We will call the new system of self-management socialism designed by the Constitution of 1974 and the subsequent laws "the regime of the 1974 Constitution". The outline of the regime of the 1974 Constitution is as follows:

Economic entities were organizations of associated labour (with generic terms of OOUR, RO, SOUR and RZ, which I will later explain.). Among organizations of associated labour the most basic entity is the OOUR as I have mentioned. OOUR was defined in the Constitution as follows: OOURs "are the basic forms of associated labour in which the workers directly and on terms of equality realize their socio-economic and other self-management rights and decide on other questions concerning their socio-economic status"³⁾. An OOUR itself could not exist alone. OOURs always existed within work organizations (Radna Organizacija, RO in short.) and composed parts of the RO.

ROs corresponded to enterprises in the usual sense. But in addition to enterprises, public facilities such as schools, faculties, hospitals, theatres, museums, etc. were also called ROs. In the Constitution RO was defined as follows:

A work organization is an independent, self-managing organization of workers linked in a labour by common interests and organized in basic organizations of associated labour of which the work organization is composed, or of workers directly linked together through the unity of labour process.⁴⁾

It followed from this definition that there were two types of ROs: a RO with OOURs (the composite RO) and a RO without OOURs (the simple RO).

According to the article 320 of the Associated Labor Act, workers should have the right and duty to form a part of a RO as a basic organization, under the following conditions:

- (1) that such part makes up a working whole;
- (2) that the results of the joint labour of workers in the working whole being

formed as a basic organization can independently be expressed in terms of value within the work organization or on the market;

(3) that workers, as a basic self-managing community of workers, can in this working whole realize their socio-economic and other self-managing rights.

And it was prescribed that the right to dispose of acquired incomes was an inalienable self-management right of OOURs and that incomes necessarily belonged to OOURs.⁵¹

A RO was reconstituted when these OOURs concluded a self-management agreement with each other. Besides, it was worthy of our notice that "workers shall have the right, in conformity with law, to separate the basic organization in which they work from the work organization within which it operates"⁵²). In other words, work organizations(ROs) were to be reorganized as loose associations of OOURs which had relative autonomy.

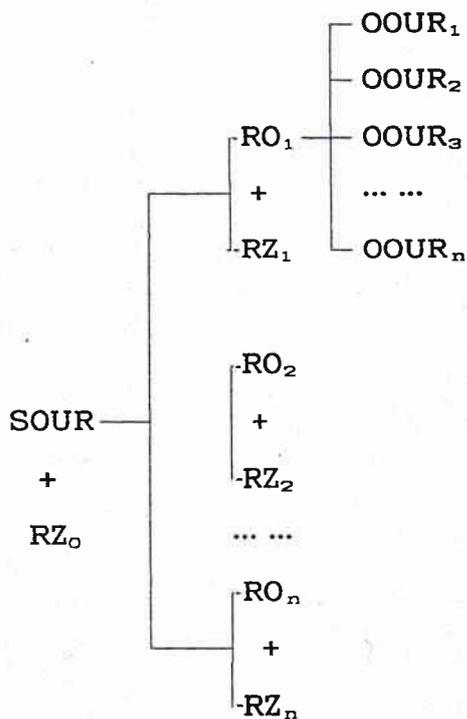
RZ was "the part where subsidiary works such as clerical work, accounting, etc. were executed or commerce, project-making, research, etc. are performed within a RO and which did not fill the conditions for formation of the OOUR"⁵³). By concluding the self-management agreement, ROs could associate and create a Composite Organization of Associated Labor(Slozna Organizacija Udruzenog Rada, SOUR in short.) which corresponded to an association of enterprises. The relationship between OOUR, RO, SOUR and RZ can be illustrated as in Figure 2.1.

Table 2.1 Numbers of organizations of associated labour

OOUR	20,935
RO without OOUR	13,929
RO with OOUR	4,427
SOUR	424
RZ	5,273

Sources: *Statisticki Godisnjak Jugoslavije 1983*, str.102.

Figure 2.1 Structure of an SOUR



In this way the OOUR was the base of the associated labour and resources for RO, SOUR and other forms of association and also the base for self-management planning. At the same time OOURs were the basic units in the socio-political system. OOUR should also be "self-managing communities of workers in associated labour in which workers form delegations with aim of directly realizing their rights, obligations and responsibilities and of participating in an organized way in the performance of the functions of the assemblies of socio-political communities"^{B)}. In addition, workers in an OOUR together with workers in other OOURs could associate labour and resources and establish self-managing communities of interest(SIZs) and banks.

The number of organizations of associated labour at the end of December 1982 are indicated in Table 2.1. ROs with OOURs(composite ROs) were comparatively large enterprises and public facilities and these ROs contain 4.7

OOURLs on average.

The Yugoslav way of decentralization was quite different from the way of decentralization in the socialist countries of the Soviet type which had highly centralized planned economic systems. In the 1970s these countries pursued a direction in which central ministries transferred to associations of enterprises ("Ob'edinenje" in the USSR, "WOG" -- Wielkie Organizacje Gospodarcze -- in Poland, "New type of combinat" in DDR, etc.) specific competences, gave them considerable autonomy and controlled them in parametric ways.⁹⁾ In contrast to this, during the same period in Yugoslavia relative autonomy was given to OOURLs which ranked lower than enterprises.

As we have seen, the regime of the 1974 Constitution thoroughly decentralized the economic system by making OOURLs the basic cells of the self-management socialist society. But at the same time we must bear in mind that the regime of the 1974 Constitution predetermined the social integration from the bottom to the national level. OOURLs were the starting points of the integration. It was considered that the motives for integration were the acquisitions of larger incomes by associations of labour and resources and the long-term stability resulting from such associations.¹⁰⁾ Therefore, the Constitution of 1974 and the Associated Labor Act predetermined that workers in OOURLs would associate themselves in ROs and further in SOURLs.

II. The Economic Situation in the 1980s

The second half of the 1970s was the period in which people should have put into practice the self-management socialism model that was designed by the Constitution of 1974 and the Associated Labor Act. But the economic performance of Yugoslavia after the 1970s was poor. One of the main reasons can be ascribed to the deterioration of economic environments around Yugoslavia. First of all, the oil crisis of 1973 and 1979 and the world-wide depression severely struck

the Yugoslav economy. To make matters worse, the steep rise in the oil prices and the rise in costs of imported materials became heavy burdens for the Yugoslav economy, which had suffered a chronic trade balance deficit. The number of workers who were working in West Europe amounted to one million and one hundred thousand in 1973 and then decreased to eight hundred thousand in 1977 due to the economic recession. The increase in the number of workers returning home as well as the uninterrupted influx of the labour force from rural area to urban areas put pressure on labour markets.

In order to promote employment, the medium-term plan of 1975-80 attached importance to economic growth, especially to growth in industrial production and set the ambitious goal of 7.0% growth in the social product(GNP) and 8.9% growth in the industrial production annually. Until 1979, in fact, the economic growth continued, accompanying two figure inflation. The annual average growth rates from 1976 to 1980 were 5.75% in the social product and 7% in industrial production.¹¹⁾

The relatively high growth rates were enabled by the expansion of domestic demand, especially by equipment investment by organizations of associated labour, being supported by loans from the West and the over-issue of currencies. The expansion of production led to an increase in imports of producer's goods and capital goods owing to the high dependency of production on imports. The oil prices were raised for the second time in 1979. Exports to the western markets were stagnating in the world recession and so on. As a result of these factors, the trade balance deficit was increasing. The ratio of exports to imports, which was 66.2% in 1976, was decreasing year by year and dropped to 48.5% in 1979. The trade balance deficit, which was 4 billion and 317 million US\$ in 1978, recorded 7 billion and 225 million US\$ in 1979 and the accumulated debts to foreign countries reached nearly 19 billion US\$.¹²⁾

Economic growth had run into a wall of difficulties in external liquidities. Thus a switch to a rigid tightening policy was made in the middle of 1979 in order to improve external liquidities and overcome inflation. The government

advocated a drastic retrenchment in expenditures on all types of consumption (even including investments in the sense of productive consumption). Measures which were taken from 1979 were as follows: 1) Rigid restriction of investments and prohibition on the conversion of working capitals into basic assets; 2) Restriction of increases in personal incomes (wages); 3) Adaptation of energy consumption to funds in hand; 4) Restriction of imports that could be produced within Yugoslavia, restriction of expenditures of foreign currencies to invisible trades and restriction of trips to foreign countries.¹³⁾

Since this time the Yugoslav economy stagnated. It was not until 1984 that the Yugoslav economy showed faint signs of recovery. According to the announcement of the Federal government in May 1983, the goals for the first two years of the medium-term plan of 1981-85 could not be accomplished. The industrial production was predetermined to grow 5% annually in the plan, but in fact grew 4.1% in 1981 and only 0.1% in 1982. The industrial production during the first four months of the year 1983 was 1% lower as compared with the same period of the previous year and even 3.2% lower as compared to April of the previous year. One of the main reasons for the decrease in production was the curtailment of raw materials.¹⁴⁾ The balance of trade was improved to some extent as a result of efforts to restrain imports and increase exports.

But the inflation was raging as before. The plan had intended to curb the rate of inflation to 14.4% annually. But in fact the prices rose 40.2% in 1981, 30% in 1981, 30% in 1982 and 50% in 1983. One of the reasons for the high inflation was imported inflation but this was not the whole explanation. Inflation was inevitable when there existed excessive demand while production was stagnating. It might sound strange but it was said that price freezes had been attempted for five times from June 1979 to June 1983 while prices had risen at least 200% during these four years.¹⁵⁾ Many people became skeptical about the validity of the administrative controls on price freezing. It was pointed out that "Many OOURs would attempt to raise prices more than real necessities, in fear of the new price freeze, so that they could enter into the new phase of price freeze

more readily and more safely."¹⁶⁾

It was natural that critical eyes were gradually directed towards such behavior from organizations of associated labour and still more towards the economic system that permitted it. Real personal incomes of workers were obliged to forced downward in such violent inflation. It was said that real personal incomes decreased 25% from 1980 to 1984.¹⁷⁾ A counter-offensive of workers with trade unions as a central power against the decline of personal incomes was becoming powerful.

In order to get out of such serious economic difficulties, already at the end of 1981 the committee of the federal social council for the problem of economic stabilization was organized on the initiative of the president of the federal presidium at that time Sergej Kraigher. By June 1983 this committee elaborated and published 17 documents as a long-term programme of economic stabilization with the cooperation of many specialists. This programme was put into practice from 1984. It is not easy to summarize this voluminous programme but the essential points are as follows:

1) Reforms in socio-economic relations

- a) Reconfirmation of market criteria and economic laws;
- b) Independence and equality of economic entities as commodity-producers that are regarded as a precondition so that the market mechanism performs rational functions;
- c) Conditions for economic activities in which individual economic entities are equally treated and placed under economic coercions;
- d) Restoration of the unified Yugoslav market or correction of the territorialization of the economy;
- e) Exclusion of those situations in which decisions on enlarged reproduction are made de facto by political factors outside the associated labour and in which banks are subordinate to politics;
- f) Activation of "the association of labour and resources" through more attractive "participation in joint incomes";

- g) Adequate treatment of objectified labour(=past labour);
- 2) Conversion of industrial development policies;
- a) Abandonment of "autarchic" development and extensive growth as well as active participation in the international division of labour;
 - b) Growth relying on export-oriented industries;
 - c) Development mainly relying on the present production capacity and further capacity unused to date;
 - d) Improvement of industrial structures, especially the abandonment of attaching too much importance to heavy industry;
 - e) Promotion of small business enterprises.

In addition, although it was not described explicitly in the programme, a proposal was made implicitly in individual documents to simplify decision-making procedures based on the consensus method so that various bodies could take effective measures when required.¹⁸⁾

I will focus my attention on the problem of the role of ROs as economic entities in the next section.

III. Discussions concerning the reappraisal of ROs

In the face of economic difficulties, many people came to pay their attention to the actual methods of the reorganization of "enterprises". For example, the Scientific Research Center affiliated to the Faculty of Economics at Beograd University investigated the actual circumstances of organizing OOURs, ROs, RZ, etc. in several organizations of associated labour in the Republic of Serbia. The report of this investigation pointed out that the profitability had declined in the final years(1976-1982) in these organizations of associated labour and that this resulted in the decline of accumulation capacity as well as financial instability.¹⁹⁾ This report said:

Of course the decline in general efficiency of the economic performance

after the Associated Labor Act can by no means be ascribed to a single organizational transformation of the economy. But it is not likely that the organizational change did not have sufficiently noticeable influences on poor business results of organizations of associated labour.²⁰⁾

After the enforcement of the Associated Labor Act in 1976 a campaign for the reorganization of enterprises (the so-called "OOURIZACIJA") was begun. It was said that at that time the possibility of realizing self-management rights in business management was often reduced to small problems such as the numbers of workers who worked in the OOUR, and also that the reorganization of enterprises was made on the principle that "the more OOURs and ROs in the system, the more self-management and in the opposite case the opposite".²¹⁾

There were no criteria for the formation of OOURs other than the three conditions I have already mentioned. The Associated Labor Act had no prescription as regards the number of workers in an OOUR. Adaptation of the three conditions was made according to the real situations of each RO. Sizes of OOUR. Sizes of OOURs and ROs varied widely. For example, within SOUR "PIK Pozarevac" the smallest RO had only 11 workers and the largest RO had 1,000 workers. And within RO "Zastava", which was the automobile factory in Kragujevac, the smallest OOUR had 359 workers and the largest OOUR had 3,767 workers.²²⁾ Of course there were cases where OOURs were well organized, but there were many cases where the three conditions were inadequately adapted. There were excessively large OOURs as well as excessively small OOURs. But, generally speaking, sizes of OOURs were considerably small. For example, in the Republic of Serbia excluding Autonomous Provinces, OOURs and simple ROs with workers of less than 125 accounted for nearly half of all the OOURs.²³⁾

The question at issue was not limited to this. The relationship between OOURs and ROs was more important. Originally OOURs were considered to form parts of a RO and within it act with relative autonomy. But it was said that in fact unexpected behavior of OOURs came to be perceived. Namely "OOURs increasingly became economically independent entities on the market instead of developing as

interdependent parts of a RO".²⁴⁾ In this respect Professor Jovan Todorovic, who organized the investigation by the Scientific Research Center in Beograd, explained as follows:

Those situations are created in which people approve autonomy and pluralism of interests a priori. Practically in the behavior of some OOURs a philosophy is prevailing, that states 'what is good for my OOUR is also good for the RO and society as a whole'.²⁵⁾

He argued that it is necessary to change their conception into "what is good for the RO is also good for OOURs".²⁶⁾ The long-term programme of economic stabilization also attached importance to raising economic efficiency and emphasizes the role of ROs. It said:

One of the key forms of integration is work organizations which should, while realizing the joint interests of basic organizations operating within them, reaffirm themselves as economic factors able to associate in composite organizations of associated labour and broader integrated wholes, and on this basis to ensure realistic planning, optimum division of labour, the rational use of assets and more efficacious and stable socio-economic development as a whole.²⁷⁾

After the adoption of the long-term programme of economic stabilization lively discussions were held on the role of ROs. For example, in September 1980 the city committee of the League of Communists of Beograd organized a discussion meeting on the "ROs as economic entities". At this meeting many economists, political scientists and directors of "enterprises" pointed out bad influences which were exerted by the reorganization of enterprises in the 1970s as follows²⁸⁾:

1) Excess of atomization of the economy(OOURIZACIJA). In this respect the report on investigations by the Scientific Research Center in Beograd said that RO seemed to disappear as a vital and real entity of economic operations and that the so-called process of OOURIZACIJA led to unnatural severances of technical-economical connections inside of ROs as a business system and

moreover often led to deformations and restrictions in the realization of self-management.

2) Decrease in liquidity of the organizations of associated labour. It was said that the fractionization and the increase of the working wholes retarded the circulation of funds and divided up already insufficient accumulations and that the division of disposable funds caused excessive debts for organizations of associated labour.

3) Hypertrophy of RZs which were usually called "administrative services (strucna sluzba)".

4) OOURs had a de facto veto and a RO as well as a SOUR was created as a "federation" (in some cases even as a "confederation") of such OOURs on the principle of consensus. Dr. Slobodan Ostojic thought that such a composition was the worst kind. It increased coordination expenses among them, disintegrated the entity of enterprises and often brought chaos, OOURs fall into endless conflicts and collisions among themselves. Professor Jovan Todorovic warned of a danger that OOURIZACIJA might lead to a kind of Balkanizacija²⁹⁾ of the associated labour.

5) Pursuit of narrow interests of OOURs, which overwhelmed the principles of profitability, thriftiness and rationality. The decentralization of accumulation had created material foundations of particularism, the result of which was the strengthening of group (informal) ownership along with the insistence on intact autonomy of the parts.

6) Territorialization of the economy (Autarchy).

7) The negotiating mechanisms which work through self-management agreements and social compact (It was said that 3 million self-management agreements and social compacts were concluded by early 1982 and that about one hundred and thirty thousand self-management organizations and communities participated in these agreements and compacts) had separated OOURs from markets and directed them towards socio-political bodies and socio-political communities, which in turn increasingly controlled their destinies. From this perception

Professor Vujo Vukmirca urged that the rapid depoliticization of the economy was a necessity.

8) Bureaucratization of the economy.

Although there were some different tones in the discussions of those present, they shared the common conclusion that the role of ROs as vital entities should be reappraised.

In parallel with these discussions in July 1983 the Federal government proposed to the Federal Assembly a revision of an article of the Associated Labor Act, which unexpectedly caused prolonged discussions. It concerned the article 146, according to which every OOUR should have its own giro account (ziro racun) with the Social Accounting Service. The Federal government's intention was to change the article as follows: Every OOUR could have, but might not have, its own giro account and every OOUR could operate with a single and common giro account in the framework of a RO.³⁰⁾ In other words, this proposal seemed not to change the status of OOUR as the smallest unit of self-management but from then on to make as many economic calculations as possible in the framework of a RO.

But there seemed to be a quite a lot of resistance against the proposal to revise the Associated Labor Act. It was said that there existed persons who considered that "the revision was in fact a de-kardeljzacija [de-Kardelj-zation] of our system".³¹⁾ And the weekly journal "Ekonomska Politika" carried an article which severely opposed the move to revise the Associated Labor Act, insisting that a trial to abolish giro accounts of each OOUR and introduce a common giro account in a RO would be useless".³²⁾ In spite of this opposition, the proposal to revise the article 146 of the Associated Labor Act was adopted after all by the Federal Assembly in November 1983.

At the time of writing, I thought the move would not terminate only with this revision. For example, Professor Jovan Todorovic, who was the most outspoken in the reappraisal of the role of ROs, set up a question about article 320 of the Associated Labor Act which prescribed the three conditions for the formation of

an OOUR. In his opinion, if people stress the point that an OOUR should compose of part of a RO and such OOURs should have mutual connections and a reciprocal relationship in the framework of a RO, this would lead to the relativization of the independence of OOURs and eventually the first and the second conditions of article 320 would not be necessary.³³⁾ As the Associated Labor Act had such an ambiguity, revisions of this law might proceed further.

Conclusion

As we have seen, in the course of discussions about the long-term programme of economic stabilization an assertion gained weight that the reorganization of enterprises since 1976 had in fact resulted in disintegration of the economy and caused inefficiency and chaos in the economy and that ROs as economic entities should be reappraised to realize the economic integration. With this assertion in mind, the article 146 of the Associated Labor Act was revised. At that time it was not clear whether the abolishment of the giro account of each OOUR and introduction of common giro accounts on the RO level would lead to the reduction in the workers' self-management rights in OOURs in the sense of disposal of incomes. But it might be natural to strengthen integration on the RO level in order to raise economic efficiency in the light of the difficult economic situation.

In addition, the reorganization of enterprises since 1976 showed that the thorough decentralization resulted in interventions in organizations of associated labour by political factors on a level where the working-class had not sufficiently matured. Therefore, the long-term programme of economic stabilization requested the exclusion of non-economic factors in the economy.

I think the attempt to give priority to the market mechanism and reaffirm ROs as economic entities was simply an extension of the reform of 1965.

[Law on enterprise, which was designed to replace the Associated Labor Act, was adopted on December 29, 1988 and put in force on January 1, 1989. The new

law brought drastic changes in "self-managing enterprises". Firstly, the conception of enterprise, which was once denied in the regime of the 1974 Constitution, was again revived. Each enterprise was made a basic economic entity. Secondly, not only enterprises based on social ownership but also enterprises based on private ownership, cooperative ownership, or mixed ownership were permitted. Thirdly, the system of joint stock companies was introduced. Fourthly, the conception of "associated labour" was denied. Thus a uniform model which presupposed the obligatory formation of OOURs and ROs was abandoned. Fifthly, the consensus as a method of the self-managing decision-making had been a cause of the inefficiency because it was difficult to make timely decisions at the level of RO and SOUR. This method was also abandoned.]

Notes

- 1)The conception "associated labour" was often used in Yugoslavia. This derived from Karl Marx. He considered socialism "associations of free people who work with common means of production and consciously expend their many individual labour forces as a social labour force" (*Collective Works of Marx and Engels*, Vol. 23a, Japanese translation, Otsuki Shoten Publishers, Tokyo, p.105.) In Yugoslav literatures, it was explained as follows: "Associated labour is the generic concept embracing all forms relations and institutions established among people who jointly manage the socially owned means of production and dispose of the income resulting from their labour, in conformity with the Constitution and the law" (Pasic, N. eds. *Workers' Management in Yugoslavia: Recent Developments and Trends*, ILO, Geneva, 1982, p.20.)
- 2)See: Koyama, Y., "The Self-managing Community of Interest (SIZ) in Yugoslavia---with Reference to Local Autonomy ---", *The Journal of Economics Niigata University*, No.35, 1983.
- 3)Article 14 of the Constitution of SFRY.

- 4) Article 35 of the Constitution of SFRY.
- 5) Article 14 of the Associated Labor Act.
- 6) Article 338 of the Associated Labor Act.
- 7) Kardelj, E., *The Self-management Socialism and the Nonalignment -- Challenge of Yugoslavia --*, trans. Yamasaki, H. & N., Otsuki Shoten Publishers Tokyo, 1978, Commentary by translators, p.239.
- 8) Article 14 of the Associated Labor Act.
- 9) See: Iwata, M.(ed.), *The Economic Situations in the Soviet Unions and Eastern Europe -- Diversified Socialisms --*(in Japanese), Yuhikaku Publishers, Tokyo, 1983.
- 10) *Radna Organizacija kao Privredni Subjekt*, Marksisticki centar organizacije Saveza Komunistu u Beogradu, 1984, str.17.
- 11) Sawada, U., "The Tendency of the Yugoslav Self-management Economy", *Annals of Research*, Institute of Foreign Affairs affiliated to Kobe City College of Foreign Language, No.19, pp.47-54.
- 12) *Statisticki Kalendar Jugoslavije 1982*, Savezni zavod za statistiku, Beograd, 1982, str.108-109.
- 13) Srebric, B., "Measures for Economic Stabilization", *World Politics -- Comments and Materials --*, JCP, Tokyo, No.638, p.39.
- 14) Ravrenovic, S., "Vladin Majski Izvestaj", *NIN*(Nedeljne Informativne Novine), br.1693, 12. Juni 1983, str.11-13.
- 15) Grizelj, J., "Otkud Sad Inflacija?", *NIN*, br.1704, 28. Avgust 1983, str.8.
- 16) Isto, str.8.
- 17) The information on real personal incomes is based on the discussion with the President of the Confederation of trade unions of Yugoslavia at that time Dusan Bogdanov-Senko when I visited Beograd in May 1984.
- 18) In summarization of the content of the long-term programme of economic stabilization, I am indebted to Ms.Namiko Akitsu.
- 19) Todorovic, J. et al., *Samoupravno Organizovanje Udruzenog Rada u Funkciji*

Efikasnijeg Privredjivanja u Srbiji, Naucno istrazivacki centar ekonomskog fakulteta, Beograd, 1984, str. 10-12.

20)Isto, str.14.

21)Isto, str.35.

22)Isto, str.38.

23)Isto, str.36.

24)Isto, str.19.

25)Isto, str.8.

26)Isto, str.8.

27)Komisija saveznih drustvenih saveta za probleme ekonomske stabilizacije, *Dokumenti Komisije*, Knjiga 4, CRS, Beograd, str.289.

28)The points 1)-8) are summary of the following article: Milosevic, M., "Preduzece kao (kon)federacija", *NIN*, br.1708, 25. Septembar 1983, str.8-11.

29)"Balkanizacija" is an unique expression which means "the existence of quarrelling, battling and irreconcilable actors", Isto, str.9.

30)Rabrenovic, S., "Nadmoc Politike", *NIN*, br.1709, 2. Oktobar 1983, str.10.

31)Isto, str.10.

32)"Retusiranje OUR", *Ekonomska Politika*, br.1646, 17. Oktobar 1983, str.20-21.

33)*Radna Organizacija kao Privredni Subjekt*, str.55.

Chapter 3

The Self-managing Community of Interest (SIZ) in Yugoslavia -- with Reference to Local Autonomy

It is well known that Yugoslavia experienced a conflict with the Soviet Union and was subsequently expelled from Cominform in 1948. With this as a turning point, the Yugoslav people have constructed a unique self-managing socialism different from socialism of the Soviet type. Yugoslavia drew our attention because the Yugoslav people had been consciously tackling the problem that any socialist society might become distorted by bureaucracy and they had been striving to create a mechanism which would enable the working masses to participate in the government of the society, curtailing the powers of the state and entrusting them to the lower levels.

The Yugoslav attempt to create "small government" may resemble in appearance the course of the second provisional investigative committee on administration in our country, which allegedly advocates "small government" in order to activate private enterprise (the so-called Rincho Rosen). However, the Japanese attempt to create "small government" without entrusting some of the competences of the central government to the provincial authorities and without strengthening the powers of local municipalities is simply a course which serves

big enterprises by cutting down welfare and education, and is therefore diametrically opposite in essence to the Yugoslav orientation.

I think that it is very useful for us to learn about the Yugoslav experiences in both positive and negative aspects when we consider the prospect of the future development of Japan. In this chapter I will focus my attention upon the Self-managing Community of Interest (Samoupravna Interesna Zajednica, SIZ in short.) with reference to local autonomy.¹⁾ Especially after the new Constitution of 1974, efforts had been made to separate the activities of public services ("social activities" in Yugoslav terminology) even from communal finances and to organize SIZs which were intended to realize a direct connection between providers and users of services. In spite of their importance, even the name SIZs, much less the real nature of SIZs in practice, was hardly known outside Yugoslavia. Therefore, I will explain the evolution of the system of local autonomy which made the appearance of SIZs possible and then give an outline of SIZs, their significance and some related problems.

I. The Evolution of the System of Local Autonomy

Although the Yugoslav people had liberated their country from foreign invasion by their own efforts, they began to construct socialism after World War II following the example of the Soviet Union because there was no socialist country other than the Soviet Union. After the war local liberation committees, which had been authorities in liberated areas during the war, were renamed local people's committees. The local people's committees as the units of local government numbered 11,556 in 1946 and were headed by a council (also called a people's committee) elected by all citizens over 18 years old. The local people's committees were incorporated into the centralized administrative organization and played the role of its lowest units.²⁾

But in 1950 workers' self-management was introduced to industrial

enterprises. The workers' self-management naturally influenced the system the system of local autonomy. Before long, the principle of self-management was applied beyond the framework of enterprises and it crystallized into the idea of self-government of local society by working people and inhabitants. Thus the Soviet model was abandoned. In 1952 the local people's committee was renamed commune.³⁾ The council was reorganized into the bicameral assembly which consisted of the chamber of communes and the chamber of producers.

Communes were no longer the lowest units of the centralized administrative organization. A transformation began that would realize "self-government of producers" of the Paris commune type. The adequate size of a commune was formulated according to the following postulate: "The commune should be sufficiently large (or more exactly strong and viable enough in terms of its total potential) as to enable it to provide an adequate basis for the satisfaction of the common needs of the people inhabiting its territory; at the same time, however, it should be small enough to enable the people living within it to decide on and manage their common affairs as directly as possible".⁴⁾ But at that time communes were too small in their size to carry out all of the desired functions.

Since the reform of 1955, the size of communes grew with the decrease of the number of communes. At the base of these changes there was a consistent intention to weaken the power of the bureaucratic apparatus of the Federation and strengthen the financial power of the communes.

Stressing the importance of social self-management, the Constitution of 1963 prescribed that self-government by citizens in the commune was the political foundation of the uniform socio-political system (article 73). Since the Constitution of 1963, the decentralization of the socio-political as well as of the planning and management system had proceeded further. Directions of development which were pursued after the second half of the 1960s can be expressed by Rudolf Bicanic's "Four D-s": Decentralization, De-etatisation, Depoliticization and Democratization.⁵⁾ Under the 1974 Constitution, the assembly of communes was changed over to the three chambers system

consisting of the chamber of associated labor, the chamber of local communities and the socio-political chamber. In addition, the role of local communities within a commune was strengthened. Communes remain the basic units of local government.

In the early 1980s there were 522 communes in the whole country. A commune had an area of about 500 square kilometers. The average population of a commune was 44,000, average number of local communities 21, and of settlements 55.⁸⁾ What were the mutual relations between communes, Republics, Autonomous Provinces and the Federation? The powers granted to the Federation were restricted to foreign policy, national defence, measures necessary to ensure a uniform Yugoslav market, common monetary and foreign trade policies, the principles of the political system and ethnic and individual rights and the establishment of general standards in many other areas.⁷⁾ Whatever was not reserved by law for central government was considered to belong to local governments.⁸⁾ Education, for example, did not belong in the competence of the Federal government. The Federal government did not have any Ministry of Education and Science but the governments of Republics and Autonomous Provinces had such ministries.

In fact, communes in Yugoslavia had large powers in terms of decision-making, with which Japanese local municipalities--shi(city), machi(town), mura(village)-- do not compare. According to Milojko Drulovic, communes had three roles:

- 1) the role of taking care of affairs on a level as the governing authority but also as a part of the uniform system;
- 2) the role of taking care of citizens and organizations of associated labor in order to guarantee uniform level of municipal functions(water supply, electricity, drainage, local trade, etc.);
- 3) the role of uniting various self-managing organs and interests from workers, economic organizations and social organizations to Republics and the Federation and of harmonizing conflicting interests if necessary.⁹⁾

Table 3.1 Budget Expenditure in 1966(in percent)

	Federation	Republics and Provinces	communes
Total expenditure effected	45.8	19.4	34.8
Education	0.1	21.5	78.4
Science and Culture	5.3	58.1	36.6
Social welfare and medical care	52.0	11.6	36.4
Public utilities	-	16.2	83.8
Public administration	16.7	40.0	43.3
National defence	99.7	-	0.3
Infrastructural investment	5.3	38.8	55.9

Sources: Branko Horvat, *The Yugoslav Economic System: The Labor-managed Economy in the Making*, M. E. Sharpe, Inc., White Plains, New York, 1976, p.249.

As mentioned above, communes were extremely powerful. They were "as it were small states within a state."¹⁰⁾ When we examine the structure of finance we can understand more clearly how great the power of communes was. Table 3.1 shows that budgetary expenditure in 1966. The budgetary expenditure in the field of education shows a striking contrast to that of national defence. The Federation accounted only 0.1 percent, Republics and Autonomous Provinces 21.5 percent and communes 78.4 percent of total budgetary expenditure in the field of education. At that moment the Federation still played a considerable role in the field of social welfare and medical care. However, it seems that the extent to which the Federal government was involved decreased with the further

decentralization of finance and the development of the SIZ system.

Although communes had acquired wide-ranging autonomy as a result of thorough decentralization, they did not exist in completely isolated and closed conditions. On the contrary, there were horizontal connections between communes on the basis of wide-ranging autonomy. Communes were cooperating and associating with neighbouring communes in many common affairs (for example, water supply, drainage, electricity, etc.). Therefore, communes were considered as "bases and frameworks for self-management regional integration."¹¹⁾ To the economically poor communes economic assistance was extended from the sources of revenue of Republics and Autonomous Provinces depending on certain criteria. Thorough regional decentralization at the same time required the counterbalance of integrating mechanisms from the regional levels; political mechanisms and socio-economic ones. Political mechanisms included the delegate system, which operated over small and large groups, embracing regions, workplaces, assemblies of communes, assemblies of Republics and Autonomous Provinces and the Federal assembly. Among socio-economic mechanisms were the self-managing communities of Interest ("SIZ"s).

II. The Self-managing Communities of Interest and the Ideas Behind Them

It was not until early 1960 that the principle of self-management was extended to the sphere of public services such as education, culture, science, medical care, insurance, etc. Clearly, individual organizations of associated labor (schools, hospitals, museums, etc.) could not be operated successfully on the basis of market mechanisms. These spheres have been more or less supported by state finance both in capitalist countries and in socialist countries. Also in Yugoslavia such a situation was maintained for a period of time. In the state finance, however, it was very difficult to develop conditions under which self-management could function in each facility of public service.

Thus dual situations with self-management in economic fields and state control in the spheres of public services had coexisted in Yugoslavia. But this duality had to be resolved if workers' self-management was to be developed throughout the whole society.

According to Edvard Kardelj, "In Yugoslavia the system which rested on political monopoly by the state now took on a form which prevented workers from pursuing their interests through self-management."¹²⁾ "Instead of the old relationship such as workers--the state--public services, it became inevitable that a direct relationship between workers in direct production and those in the sphere of public services would be established."¹³⁾ SIZs were devised to connect both kinds of workers without the mediation of the state.

Efforts to develop self-management relations and to improve activities in the public services, and the emergence of SIZs can be found already in the premises of theory, program and ideas of the 7th congress of the League of Communists of Yugoslavia in 1958.¹⁴⁾ It was maintained in the resolution of the congress that self-managing organs in the spheres of education, culture, social welfare and medical care as well as housing communities and public utilities at the commune level should be further developed and strengthened. Proceeding further, the 8th congress of LCY indicated the direction of movement in this area, as follows:

In all these activities it is necessary to accelerate the process of de-étatization, creating those material conditions favourable to the development of self-management, independence and social responsibility of the collective and through them to overcome the conflicts which originate from the inherited social division of labor. It is especially important to promote workers' influence and power of decision in the areas of socialist insurance and health insurance which handle enormous sums in social funds.¹⁵⁾

The first document which prescribed the principles for the organization and activities of SIZs was a law on organizing and financing social insurance of 1962. In this way, the first self-managing community of interest was organized in the

field of social insurance. In the 1960s this SIZ was usually called a Community of Interest (Interesna Zajednica, IZ in short). In 1965 IZs were organized in the field of employment and then in the field of education on the principles similar to the IZ in the field of social insurance. In the Republic of Serbia IZ were organized in the field of culture in 1968 and in the field of science in 1969 on the basis of the republican law. Also in other Republics IZs were organized in various fields. Thus the number of IZs increased and the fields they covered spread.

1,016 IZs were organized from 1962 to 1973. Among them 955 IZs were organized on the basis of laws as compared with 125 IZs organized on the basis of self-management agreements as well as social contracts.¹⁶⁾ As such a style of organization indicates, IZs at this period were not so autonomous as they later became. At this time there was "the tendency to attach importance to forms rather contents"¹⁷⁾ and IZs were more or less "characteristic of etatism".¹⁸⁾ IZs were engaged mainly or exclusively in the distribution of funds and were not concerned in programming, planning and development of activities in each fields. Besides, considering the composition of the assembly of IZs, the ratio of delegates from users of services was low and users' influence on the use of funds was insufficient. Close connections between economic activities and non-economic spheres, exchanges of labor, the principle of solidarity and reciprocity, wide-ranging influences of workers and citizens, etc. were not realized. Instead, individual groups and interests dominated the IZs. It was because of these shortcomings that negative aspects of the activities of IZs were emphasized and criticized and the character, the essence and even the name of IZ became objects of argument.

In the late 1960s and early 1970s not only the SIZ system but also Yugoslav society as a whole faced a turning point. Namely, the so-called technocrats in enterprises came to the front and the influence of workers' councils and trade unions in enterprises became weak as a result of the expansion of the scale of enterprises, competition between enterprises, economic operations giving

priority to efficiency, etc. which had occurred since the economic reform of 1965. Thus the danger of the emasculation of self-management became a social issue in the late 1960s and early 1970s.

The Amendment to the Constitution in 1971 was designed to cope with this situation. This Amendment introduced "Basic Organizations of Associated Labor". Instead of enterprises, it aimed to make smaller working units ("Basic Organizations of Associated Labor") the smallest units of workers' self-management on a level closer to workers. Enterprises were reorganized and were made associations of these Basic Organizations of Associated Labor.¹⁹⁾ The Constitution of 1974 was the systematization of this new conception of workers' self-management. Both the Amendment to the Constitution in 1971 and the Constitution of 1974 became opportunities for qualitative change of the SIZ system.

"SIZ" became for the first time a constitutional category and it was given its character by the Constitution of the Socialist Federal Republic of Yugoslavia of 1974. Namely, SIZs were intended to further self-management in the sphere of public services and connect directly both providers of services and users of services(=providers of funds) without either the mediation of the state finance or mediation of markets. In this case the state finance means not only the finance of the Federation, Republics and Autonomous Provinces but also the finance of communes.

SIZs in the sphere of public services are the basic type. Even within the material production, however, organizations of associated labor and users of their products and services were able to organize SIZs. This was the area in which "the working of market laws cannot be the only basis for the adjustment of work and needs and/or the assessment of the results of labor" (The Associated Labor Act, article 309) and it included communal services, electricity, water supply, public transport and others. Thus an attempt began that separated public utilities on the commune level completely from the communal finance and incorporated them in the SIZ system.

Consequently, SIZs can be classified into several types. According to the Constitution of 1974, they can be classified into the following four types:

- A) The SIZ which was composed of users and providers of services in the public services(article 52);
- B) The SIZ which was composed only of users--in the sphere of pension and disability insurance--(article 53)
- C) The SIZ in housing(article 54);
- D) The SIZ in the sphere of infrastructure(article 55).

Of course, these four types of SIZ had common characteristics but somewhat different principles affect them. A SIZ which was composed only of users belonged to the type of the so-called "homogeneous SIZ". In this SIZ the principle of solidarity and reciprocity as well as the principle of past labor were more strongly emphasized. On the other hand, the SIZ which associated users and providers of services belonged to the type called "mixed SIZ". This type of SIZ is basic. In the mixed SIZ the principle of free exchange of labor was more strongly emphasized. SIZs in the sphere of infrastructure may be organized in condition where the "permanent performance of these activities is indispensable for the satisfaction of the needs of specific beneficiaries"(article 55).

According to the Yugoslav theory, the characteristics of SIZs were summarized as follows:

- 1) to connect directly public services with workers in the organizations of associated labor in economic spheres who are users of the services, without the mediation of state finances.
- 2) Users of the services finance the public services through the free exchange of labor. Although the labor of the workers in the sphere of public services do not produce income, their labors contribute to increasing income by raising the productivity of labor in the spheres of (material) production -- through raising the educational level and through the preservation and improvement of health conditions, etc. Therefore, workers in the sphere of public services can obtain a certain amount of the income created by material production. The exchange of

labor between both sides is free in two senses. It is free both from the influence of the state and that of markets. Users of services do not pay every time the services are provided. Both sides, that is, providers and users of the services meet each other once within a definite period, consult with each other taking into account the other's situation, and decide the quantity and quality of the services which are to be provided and the amounts of funds which are to be allotted.

3) The anarchy of markets and subjective and arbitrary interferences by bureaucrats can be excluded because direct connections between providers and users of the services (or of the material goods, in the case of the sphere of material production) are established.

4) Such a relation between both sides insures for workers in the sphere of public services "the same socio-economic status as workers in other organizations of associated labor" (article 52). Workers in the sphere of public services do not become state employees. On the contrary, their status is the same as that of ordinary workers who work in factories and enterprises.

5) In using the funds which are pooled in a SIZ, the users of the services who paid contributions have a large influence. By this very fact, the opinions and requests of users are directly reflected in the nature and quality of public services. In the case of education, for example, the opinions and requests of pupils' parents and organizations of associated labor in these regions are directly reflected in the content of the education provided by schools.

6) Free exchange of labor is not performed in the SIZ for pension and disability insurance which is composed only of users of services. This SIZ is opened on the basis of the principle of solidarity and reciprocity and the principle of past labor. Past labor is an economic category which represents materialized or objectified labor and ensures workers' right "to share in the benefits of increased productivity achieved through the accumulation of the results of their labor over many years."²⁰⁾

III. Organizations and Activities of Self-managing Community of Interest

I will explain the organization and activities of SIZs considering mainly type A SIZ. Workers and citizens could establish a SIZ by concluding the self-management agreement on establishing SIZs. A SIZ was operated in accordance with the statute of the SIZ concerned which was independently decided by the SIZ assembly. In this way, "self-organization"(Samoorganizacija) was an important principle.²¹⁾ The establishment of a SIZ was selective in principle. But the 1974 Constitution prescribed that SIZs had to be organized especially in the field of "public services of particular social importance", such as education, science, culture, medical care and social welfare, as well as pension and disability insurance and housing.²²⁾ If workers and citizens would not organize SIZs, then socio-political communities(the generic term for Federation, Republics, Autonomous Provinces and communes) must organize SIZs in their name. Once a SIZ was organized in this way, the later management of the SIZ was entrusted to the workers and citizens.²³⁾

When a SIZ was organized in field of elementary education the territorial unit was basically a commune, but workers and citizens in neighbouring communes could jointly organize a SIZ. A SIZ was a legal person and had rights, obligations and responsibilities prescribed by the Constitution, laws and self-management enactments.²⁴⁾ In 1977 such SIZs numbered 3,359, with basic communities and basic units included. The composition is shown in Table 2. In the early 1980s the number of SIZs exceeded 8,000.

Table 3.2 Kinds and Numbers of SIZs

	Basic Communities (Basic Units) of SIZs				
	Covered territory			Established for specific interests	Total
	a part of a commune	a commune	communes		
A) Education	36	528	192	3	759
Science	—	116	2	—	118
Culture	7	107	11	1	126
Physical culture	12	136	3	5	156
Child welfare and social welfare	18	300	15	1	334
Employment	—	214	110	—	424
Medical care	11	418	34	1	464
Remaining spheres of public services	—	127	6	10	143
B) Pension and disability insurance	—	250	24	—	274
C) Housing	7	102	8	38	155
D) Energy	—	—	44	1	45
Water supply	2	3	11	1	17
Transport	—	101	13	—	114
Remaining activities of material production	—	15	6	55	76
Town planning	—	3	—	2	5
Arrangement of sites for construction	1	3	—	—	4
Remaining services of public utilities on commune level	11	65	—	8	84
SIZs other than the mentioned above	—	126	12	23	161
Grand total	105	2,614	491	149	3,359

Source: *Statistički Godišnjak Jugoslavije*, 1979, str. 106.

The organization of SIZs is as follows²⁶⁾: Every SIZ had an assembly as its supreme managing organ. Ordinarily the assembly consisted of two chambers. The first chamber represented users of services, that is, workers in organizations of associated labor and work communities, peasants, people who

worked with their own resources, active soldiers and citizens who served in the army. The second chamber consisted of providers of services. However, the SIZ for medical care(health insurance) had an assembly which consisted of three chambers, namely the chamber for worker insurants, the chamber for peasant insurants and the chamber for workers in medical facilities. This was thus organized because certain differences between worker insurants and peasant insurants were taken into account. In the case of the homogeneous type of SIZ, that is, the SIZ for pension and disability insurance in which free exchange of labor was not performed the assembly consisted of a single chamber.

The method of electing and dispatching delegates was based on the delegate system, unique to Yugoslavia. Namely, in the same way as with delegates of the assembly of communes, to begin with, delegations were elected from each unit(organizations of associated labor and local communities, etc.) and then delegates were elected by mutual vote within these delegations. The delegates were to attend the SIZ assembly and act in accordance with the consultations within their delegations and the guidelines formulated by the delegations and report the decisions of the assembly to their electorates. The two chambers were to discuss mutual rights, obligations and responsibilities on terms of equality. The decisions of the SIZ assembly were made by the agreement of both chambers. If necessary, a joint session of both chambers could be held. Delegates and delegations could be recalled by their electorates. The numbers of and allocation of delegates as well as the methods of electing and recalling delegates were prescribed by the self-management agreement on establishing a SIZ. The term of service of both delegates and delegations was four years.

In addition to the assembly there was an executive committee, to which the assembly entrusted implementation of definite executive functions. The members were elected from among the members of the assembly. The executive committee was responsible to the assembly. There was also a secretary. This secretary was appointed by the assembly in accordance with the statute of the SIZ concerned provided that the assembly of the commune agreed the

appointment. The secretary could not be a delegate of the SIZ assembly. The secretary's term of service was four years. The same person could not serve as secretary over two consecutive terms. Under the guidance of the secretary a section of clerks worked, which was called the "technical service"(strucna sluzba).²⁶⁾ The "technical service" inherited many important tasks which state organs (administrations of communes) used to perform. There was another case in which former service facilities such as housing enterprises, institutes for social insurance and institutes for employment fundamentally changed their roles and grew into the "technical service" of a SIZ. The role of the "technical service" was important not only because it implemented approved policies, laws and other enactments and daily carried out many administrative and technical duties which were related to the everyday affairs of the SIZ assembly and executive committee, but also because it actually handled enormous social funds. Consequently, it was very important that the assembly and the executive committee should effectively control the "technical service". SIZs of the same kind or of different kinds were allowed to use jointly a common "technical service" because it was desirable that the "technical service" was a reasonable, effective and simple apparatus. Workers who worked in the "technical service" composed a "working community"(RZ) and concluded with SIZ(s) a self-management agreement which definitely prescribed mutual rights, obligations and responsibilities. Besides, many SIZs--for example, in elementary education and specialized education--were allowed to form a single assembly.

The SIZ assembly had broad competences. It was engaged in the following affairs:

- 1) to approve plans for development and arrangement of activities in the field concerned;
- 2) to adopt annual and long-term plans and programs of activities and development;
- 3) to adopt measures to realize policies, plans and programs of activities and development;

- 4) to elect and release the executive organ and other temporary or standing organs and control their activities;
- 5) to adopt important documents (statutes, plans, programs, etc.);
- 6) to approve criteria and guidelines for the distribution of funds;
- 7) to approve financial plans and statements of accounts;
- 8) to approve the rate of members' contributions to the SIZ;
- 9) to decide on matters concerning common interests and other problems, and on cooperation as well as association of funds with other SIZs, organizations of associated labor and local communities.²⁷⁾

The relations between SIZs and communes were very close. When problems concerning the activities of SIZ in public services of particular social importance (education, culture, science, medical care and social welfare) were brought up for discussion at the assembly of a commune, the SIZ assembly joined the assembly of the commune as the fourth chamber of the commune on equal terms with the other chambers of the commune (the chamber of associated labor, the chamber of local communities and the socio-political chamber).²⁸⁾ The assembly of the commune as an organ of social self-management and the supreme organ of power in the region is empowered to perform "social control" over the activities of SIZs. If a SIZ seriously violated social interests or did not discharge obligations prescribed by laws, the assembly of the commune was empowered to dissolve the SIZ assembly and announce its reelection, to dissolve the executive committee and to reshuffle the secretary.²⁹⁾ As already mentioned, a SIZ was organized basically in a commune as a unit. However, by concluding self-management agreements with each other, each SIZ could associate horizontally and form district SIZs, and further a republic-wide SIZ.

SIZs were under an obligation to supply funds to organizations of associated labor (schools, hospital, etc.) in order to support services in whatever the field concerned. SIZs were to supply funds for the following needs: material expenses and amortizations of organizations of associated labor, workers' personal income, expenses of professional training of workers and common use,

improvement of facilities in public services, etc. Various people and groups participate in supplying these funds. The methods of collecting funds were different depending on the fields of activities of SIZs and their roles in society. In the case of SIZs in material production (public utilities on the commune level, energy, transport, etc.) funds were secured by charges which individual users paid. In the case of SIZs in housing funds were secured from house rents.³⁰⁾ In the main types of SIZ, funds were secured by contribution. Strictly speaking, this contribution (doprinos) was a category different from tax (porez): tax was to finance administrative expenses. As they were all users of services, organizations of associated labor in economic fields (which were located in the region concerned) pooled contributions from their incomes, workers from their personal incomes and peasants and people who worked with their own resources from their incomes into each SIZ on the basis of the principle of solidarity and reciprocity. Among contributions paid from incomes of organizations of associated labor were those to SIZs for pension and disability insurance, those to the SIZs in material production, etc.

Prior to the decision on the rate of contribution to the SIZ, the assembly of the commune was to express its opinion. After that, the SIZ assembly decided the rate of the contribution. If a self-management agreement on contributions was not concluded for "the public services of particular social importance" socio-political communities instead of SIZs were to decide temporarily about the obligation of paying contributions and the rate of contribution so as not to starve workers in public services.³¹⁾

Workers had the right to express their opinions before the decision on the rate of contribution. However, it seemed that workers had had no opportunity exercise that right for a while even after the establishment of SIZs, and that the rate of the contribution had continued to be decided from above. An article in the newspaper "Politika" entitled "Discussion on the plan-- jointly to the treasury, jointly from the treasury--"³²⁾ endorsed my impression. According to the article, in the Republic of Serbia it was not until 14th of October 1980 that

the law concerning workers' expression of their opinions about their financial obligations to contribute towards satisfying the common needs of society" came to force. Commenting on the law, the same article reported that all workplaces were going to discuss their plans for the next year as follows:

During this November(1980), in probably all basic organizations of associated labor and working communities in Belgrade, preparations are being made for making use of a new opportunity for workers to discuss directly in their meetings how much money they will give as their contribution towards satisfying the common needs of society in the next year, and to decide not as before but by the decision of the SIZ assembly--by accepting the self-management agreement--how much money they will put towards these needs in the next year out of their incomes and personal incomes.

The rates of contributions(ratios to personal income) to each SIZ in 1981 which were proposed to workers in Belgrade in November 1980 were as follows:

SIZ for elementary education	3.50%
SIZ for specialized education	3.97%
SIZ for culture	0.90%
SIZ for physical culture	0.23%
SIZ for social protection	0.51%
SIZ for child protection	2.18%
SIZ for employment	0.24%
SIZ for medical care	9.94% (In the economic field, however, 1% is paid from the income of organizations of associated labor.). ³³⁾

As already mentioned, public education, for example, was provided in the framework of a SIZ which was usually organized in one commune or several, without either intervention by the federal government or enforced guidance by the republican government. But such a practice was liable to raise doubts about the problem of regional inequalities of educational services arising from

economic differences. Differences in economic development will surely result in differences in material conditions of education between regions, which was, however, incompatible with the principle of equal opportunity, much more so with the idea of socialism. It would be thought necessary to extend some assistance to the less developed regions in order to compensate for these conditions.

In fact, various kinds of assistance were to be extended so as to reduce social differences arising from economic differences to an acceptable level, although the absolute values are not known to us. According to Stevan Bezdanov, the channels of assistance were as follows:

(a) at the level of the Federation: the Fund for Accelerated Development of Economically Less Developed Republics and of the Autonomous Provinces of Kosovo; and the Fund for Supplementary Financing of Public Services in these republics and in the Autonomous Province of Kosovo;

(b) at the level of the Republics: republican funds for the acceleration of the development of less developed areas; resources of the republican self-managing community of interest in education (supplementary financing of local and intercommunal community of interest in elementary education; financing of the students' conditions of study; participation in investment for the construction of elementary and secondary school buildings in less developed areas; investment in higher education); the so-called Tito Fund of scholarships for young workers and workers' children;

(c) at the level of the local community: resources of the communal community for education and the community for child protection (provisions for free textbooks; costs of school meals; transport expenses to and from school; free vacation expenses in summer and winter resorts; etc.).⁹⁴⁾ Among the channels mentioned above, I think, those through the republican SIZ are the most important.

IV. The Significance of SIZs and Some Related Problems

First, in the case of education, for example, public education was financed by contributions from workers' personal incomes and incomes of organization of associated labor. These contributions were secured not through state finance but through a SIZ which was organized within a commune as the unit. This SIZ was managed by representatives of schools, local communities and organizations of associated labor. Thanks to this system, inhabitants and organizations of associated labor could exert direct influence on the education in those regions. The funds for public education were originally created by the labors of working people. In a system in which funds are allocated to schools through state finance, bureaucrats and politicians in the top political circles who are concerned with the allocation of the state budget act as if the state funds are their own money, intrude upon the actual contents of education and exercise control over public education. It is natural that people should request central governments to increase the allocation for education. But central governments do not seem prepared to heed the requests of educational specialists and ordinary citizens that they should provide more funds but not interfere in education. This holds true not only for education, but also for science, culture, medical care, insurance, etc.

Secondly, the SIZs were intended to strengthen the horizontal connections between direct producers by connecting activities in the sphere of public services to economic fields without either leaving the former to the anarchy of markets or the mediation of state finance. [Yugoslav theorist had dreamed that by strengthening horizontal connections between direct producers in this way and drawing the working masses into social self-management, SIZs would provide the possibility of creating a situation of active worker-participation which could "let the state wither away". I do not think that the state would be abolished. But I think the SIZ system was an interesting experiment in overcoming bureaucracy.]

Thirdly, however, even in the early stage the activities of the SIZs had some problems. We could occasionally find articles about graft scandals concerning secretaries of SIZs in Yugoslav newspapers.³⁶⁾ Although the numbers were small, there were also cases in which the "role of executive organs and administrative and technical services were still very significant."³⁶⁾ Though the SIZ system was expected to overcome bureaucracy, there was a danger that SIZs themselves might change into another bureaucracy. At the 5th plenum of the association of communes in the Republic of Serbia held on the 6th of September 1980 the question was raised that workers could not exert sufficient influence on the operations of the SIZs. At the same meeting those present stressed: "Continuously we should inspect the system of self-managing organizations of interest critically, and make them conform to the prescription in our Constitution."³⁷⁾

[Lastly, the SIZ system, which was established by the 1974 Constitution, started its activity with a lofty ideal. But without fully realizing its possibility in the course of the economic crisis it became exposed to serious criticisms. For, example, SIZs were fractionalized too much. In contrast to providers of services, users of services(= providers of funds) were not so active in the participation in the management of SIZs. Decision-making in SIZs was inefficient and time-consuming. In short, the SIZ system was not as efficient as had been expected. Towards the end of the 1980s, in place of the SIZ system, the budget system became reappraised also in the sphere of public services.]

Notes

- 1) In Japan papers dealing with the SIZ system are as follows: Masayuki Iwata, "The Foundation and the Socio-Economic Significance of the SIZ system", *Slavic Studies*, Slavic Research Center of Hokkaido University, No.26, 1980(in Japanese, with English Summary); Yoji Koyama, "The Self-managing Community

- of Interest in Yugoslavia", *Keizaikagaku-tsushin*(Correspondence of Economic Science), Institute for Basic Economic Science, No.33, 1981(in Japanese); Yoji Koyama, "The Idea and Practice of Self-managing Communities of Interest(SIZ) in Yugoslavia-- especially in the case of education--, *Kochi Ronso*(Kochi Review), Kochi University Economic Society, No.12, 1981(in Japanese).
- 2) Eugen Pusic, "Intentions and Realities: Local Government in Yugoslavia", Reprinted from the Summer 1975 issue of *Public Administration*, n.p., pp.133-134.
 - 3) Although sometimes the term komuna is used in politico-economic literatures in Yugoslavia, generally it is called opstina in Serbian, opcina in Croatian and obcina in Slovenia. But here I will use the term "commune" as Western people usually do.
 - 4) Radivoje Marinkovic, "Framework and Basis of Territorial Self-management Integration", *Socialism in Yugoslav Theory and Practice--Collections from Conferences--*, vol.10, Belgrade, 1977, p.182.
 - 5) Rudolf Bicanic, *Economic Policy in Socialist Yugoslavia*, Cambridge University Press, 1973, p.67.
 - 6) *Enciklopedija Samoupravljanja*, Beograd, 1979, str.556.
 - 7) Dennison Rusinow, *The Yugoslav Experiment 1948-1974*, University of California Press, Berkeley and Los Angeles, 1977, pp.284-285.
 - 8) Eugen Pusic, *op.cit.*, p.139.
 - 9) Milojko Drulovic, *Self-management on Trial*, trans. Sadakuni Takaya and Hiroshi Yamasaki, Iwanami Shoten Publishers, Tokyo, 1980, pp.134-135.
 - 10) Akihiro Ishikawa, "The Centralized Type and the Decentralized Type of Socialist Local System", *Bulletin of Department of Philosophy*(in Japanese), Faculty of Literature, Chuo University, Tokyo, 1977, p.27.
 - 11) Radivoje Marinkovic, *op.cit.*, p.182.
 - 12) Edvard Kardelj, *Self-management and Democracy*(Original Title: *Pravci Razvoja Politickog Sistema Samoupravljanja*), trans. Hiroshi Yamasaki, Otsuki

- Shoten Publishers, Tokyo, 1981, p.39.
- 13) *Loc cit*
 - 14) In description of the history of SIZ system I am indebted to Momcilo Dimitrijevic, *Samoupravna Interesna Zajednica*, ZIK Izdavcki Centar, Beograd, 1975, str.18-22.
 - 15) *Samoupravljanje u Jugoslaviji 1950-1976, dokumenti razvoja*, Privredni Pregled, Beograd, 1977, str.175.
 - 16) Radivoje Marinkovic, "Teorijske i Ustavne Osnove Samoupravnih Interesnih Zajednica", u knjizi: Milos Aleksic, *Samoupravne Interesne Zajednice, Teorija i Praksa*, Beograd, 1976, str.25.
 - 17) Radivoje Marinkovic, "Self-managing Communities of Interest--A Form of Self-management Integration of Material Production and Other Spheres of Labor and Creativeness--", *Socialism in Yugoslav Theory and Practice -- Collection from Conferences --*, Vol.11, Beograd, 1978, p.270.
 - 18) Ratko C.Markovic, "Samoupravljanje u Samoupravnim Interesnim Zajednicama", u knjizi: *Enciklopedija Samoupravljanja*, Beograd, 1979, str.561.
 - 19) Work Organization corresponds to "an enterprise" in the ordinary sense. A Composite Organization of Associated Labor is an association of Work Organizations. The term organization of associated labor which is frequently used in Yugoslavia is the generic term of Basic Organization of Organization of Associated Labor, Work Organization and Composite Organization of Associated Labor.
 - 20) OECD, *Reviews of National Policies for Education: Yugoslavia*, Paris, 1981, p.15.
 - 21) Momcilo Dimitrijevic, nav.delo, str.105.
 - 22) R.C.Markovic, nav.delo, str.565.
 - 23) Momcilo Dimitrijevic, nav.delo, str.105.
 - 24) Isto, str.156.
 - 25) On the organizations of SIZ, Isto, str.157-158.
 - 26) In description of the "technical service", I am indebted to Miodrag Visnjic,

- "Samoupravljanje u Samoupravnim Interesnim Zajednicama", u knjizi: Milos Aleksic, nav.delo, str.135-136.
- 27) Isto, str.131-132.
- 28) Lazar Djurovski, "Opstina u Samoupravnom Socijalistickom Sistem", u knjizi: *Enciklopedija Samoupravljanja*, str.559.
- 29) Momcilo Dimitrijevic, nav.delo, str.126.
- 30) Isto, str. 86.
- 31) Pero Jurkovic, "Sistem Drustvenog Finansiranja", u knjizi: *Enciklopedija Samoupravljanja*, str.523.
- 32) S.Cedic, "Razgovori o Planiranju--zajednicki u kasu, zajednicki iz kase-", Novine "Politika" 5. Novembar 1980.
- 33) *Loc.cit.*
- 34) Stevan Bezdanov, "Education in the Socialist Yugoslavia at the Present Stage of Socio-Economic Development", *Socialism in Yugoslav Theory and Practice -- Collection from Conferences --*, Vol.11, Beograd, pp.199-200.
- 35) For example, a case in which "a secretary embezzled money for social welfare". Novine "Politika", 8. Novembar 1980.
- 36) Radivoje Marinkovic(1978), p.279.
- 37) Novine "Politika", 7. Novembar 1980.

Chapter 5

E c o n o m i c C r i s i s

In the decentralized self-management system Yugoslavia had been developing with a relatively high growth rate until the end of the 1970s. Namely the annual average growth rates of social product¹⁾ are as follows: 6.6% in 1953-56, 11.3% in 1957-60, 6.8% in 61-65, 5.8% in 1966-70, 5.9% in 1971-75 and 5.6% in 1976-80.²⁾ Before World War II Yugoslavia was, along with Albania, Bulgaria and Greece, the most backward region in the Europe. In the 1970s Yugoslavia became a "middle income country"³⁾ and counted as one of the NICs(Newly Industrializing Countries). In the 1980s, however, Yugoslavia came to face economic difficulty, which assumed aspects of economic, social and political crisis towards the end of the 1980s. If we glance at basic indicators of economic movement we can perceive the seriousness of the economic crisis(Table 4.1). The task of this chapter is to explore the roots of the economic crisis.

Table 4.1 Basic Indicators of Economic Movement
(growth rates compared with previous years)

Years	1980	1981	1982	1983	1984	1985	1986	1987
Social product	2.3	1.5	0.5	-1.3	2.0	0.5	3.5	-1.0
Industrial Production	4.0	4.2	0.1	1.3	5.6	2.7	4.0	1.0
Agricultural Production	0	1.4	7.5	-1.5	1.6	-7.5	11.0	-5.0
Number of workers in Social sector	-	2.9	2.3	1.9	2.1	3.2	-	-
Personal Consumption	0.7	-1.0	-0.1	-1.7	-1.0	0.0	4.5	-
Investment in Fixed Assets	-5.9	-9.8	-5.5	-9.7	-9.4	-4.0	3.5	-
Quantity of Export	11	12.2	-6.4	2.3	11.1	8.2	6.0	0
Quantity of Import	-10	-5.3	-10	-4.8	-1.9	2.7	21.0	-7.0
Living Cost	30	41	32	41	53	74	89	120
Real Personal Income	-7.9	-5.0	-3.3	-10.3	-6.1	2.8	10.0	-7.0
Labor Productivity in Industry	2.0	1.6	-3.1	-1.3	2.6	-0.7	1.0	-1.0
Labor Productivity in Social Sector	-	-1.5	-2.2	-3.4	0.2	-2.0	-	-

Sources: Predrag Vozovic, "Privredni Bilansi 81-85: Godine Nazadovanja(I)",
Ekonomaska Politika, Br.1797, 8. Septembar 1986, str.24. *Statisticki
Godisnjak Jugoslavije 1988*, str.168, 277, 314, 506, 528.

I Economic Development: Process of Accumulation of Contradictions

Development Strategy

Yugoslavia had accomplished nearly 6% growth rate in the 1970s. But this

development was at the same time a process of accumulation of contradictions. During the industrialization in the second half of the 1960s the number of employees in the social sector had increased only 0.6% on average yearly. This is due to the fact that by the economic reform of 1965 efficiency was given priority and recession occurred. In the second half of the 1960s the tendency of exodus of labor power from rural regions became strong and the number of workers who went to Western Europe (West Germany, Austria, Sweden, etc.) for work began to increase suddenly. In 1965-70 Gastarbeit absorbed about 60% of the increase in labor power supply in Yugoslavia. The number of Gastarbeiters had rapidly increased from 275,000 (estimate) in 1966 to more than one million in 1973.⁴⁾

The development strategy which Yugoslavia adopted in the 1970s is "import substitution industrialization", which aimed at the development of manufacturing industries such as metal products and electrical machines as well as the development of basic branches such as energy and raw materials. The medium term plan of 1971-75 predetermined that capital-intensive branches such as basic chemicals, electricity, steel industry, non ferrous metallurgy, shipbuilding, non metallic industries, coal, etc. should develop with higher growth rates (about 10% per annum).⁵⁾

When the first oil crisis occurred in 1973 the balance of trade showed a big deficit due to the sudden rise in price of oil. However, it seems that Yugoslavia was not affected by the first oil shock so seriously compared with Japan. For example, the economic growth rate of 1974 remained as high as 8.5%. Then the economic growth rate declined to 3.6% and 3.9% in 1975 and 1976 respectively. In the second half of the 1970s western countries and Japan, in particular, have endeavored to rationalize their economic activities so as to get over the depression after the first oil shock. In contrast to this, even in the second half of the 1970s Yugoslavia still continued industrialization with an emphasis on heavy and chemical industries which consumed enormous amounts of energy. As capital markets in the western countries were glutted with money due to the

depression and accordingly interest rates were very low in this period, the East European countries, including Yugoslavia, strived for industrialization by borrowing funds from the western countries. According to an economist's view, it might be more correct to say that financial institutions in the western countries more actively gave these countries loans.⁶⁾ On the other hand, Yugoslavia had a reason which necessitated an acceleration of the industrialization. Since the first oil shock in 1973 due to the recession the number of workers who returned home from West European countries increased. The net inflows of gastarbeiters (the number of workers returning home minus the number of workers newly going out) were 60,000 in 1974, 50,000 in 1975 and 55,000 in 1976. The net inflows of gastarbeiter continued every year at the level of about 40,000 to 50,000 until the late 1970s.⁷⁾ This factor became a pressure to create additional opportunities for employment in the social sector.

The medium-term plan of 1976-1980 emphasized economic growth, especially the growth in industrial production to promote employment and set ambitious goals such as 7.0% average annual growth in social products, 8.9% in industrial production and 3.5% in employment. Among others coal, transportation, shipbuilding, basic chemicals, petroleum exploitation, machine manufacturing, nonmetallic mineral production, steel, nonferrous metals and electricity were given priority. These priority departments greatly depended on imports such as equipment and raw materials. If these departments developed imports would develop accordingly. It was predetermined that personal consumption would develop at 6.0% on average annually, general consumption 6.0% and investment in fixed assets 8.0% respectively. Export was predetermined to increase by 8.0% on average annually while imports were predetermined to increase by 4.5%. The income elasticity of imports was predetermined 0.64. As it was 1.0 in the previous period, this medium-term plan was unreasonable. Also the World Bank report criticized the medium-term plan of 1976-1980, saying that it lacked internal consistency.⁸⁾

Table 4.2 The Structure of Foreign Trade by Areas

Areas	Years	1971	1976	1981
Export	European Socialist countries	11,257(36.5)	37,026(41.6)	223,198(52.3)
	in which the USSR	4,558(14.8)	20,838(23.4)	152,107(35.7)
	Western Europe	14,137(45.8)	29,672(33.3)	99,693(23.4)
	North America	1,947(6.3)	6,774(7.6)	17,120(4.0)
	A.A.LA & Oceania	3,504(11.4)	15,553(17.5)	86,532(20.3)
	Total	30,845(100)	89,025(100)	426,541(100)
Import	European Socialist countries	13,093(23.7)	39,211(29.2)	199,593(32.9)
	in which the USSR	4,782(8.6)	18,286(13.6)	121,072(19.9)
	Western Europe	31,249(58.5)	63,817(47.5)	245,316(40.4)
	North America	3,711(6.7)	7,110(5.3)	43,388(7.1)
	A.A.LA & Oceania	7,231(13.1)	24,306(18.1)	118,978(19.6)
	Total	55,284(100)	134,444(100)	607,275(100)
Export / Import(%)		55.8	66.2	70.2

Sources: *Statistički Godisnjak Jugoslavije 1976*, str.237; *Statistički Godisnjak Jugoslavije 1979*, str.313; *Statistički Godisnjak Jugoslavije 1983*, str.315.

When we see the structure of foreign trade by areas we can perceive the following characteristics(Table 4.2). Firstly, due to the depression in the West European countries after the first oil shock in 1974, exports to these countries were restrained and its percentage in total exports decreased from 45.8% in 1971 to 23.4% in 1981. Secondly, instead, the trade with the clearing transaction countries, that is, the European socialist countries had increased and the

percentage of both exports and imports increased. Especially an increase in exports to the USSR was remarkable and its percentage increased from 14.8% in 1974 to 35.7% in 1981. Thirdly, exports to the clearing transaction countries greatly increased in the 1970s, as a result in the 1980s exports exceeded imports in regard to foreign trade with these countries. Especially the trade with the USSR began to record a surplus in the second half of the 1970s and its amount further increased in the 1980s. Fourthly, the trade with "Asia, Africa, Latin America and Oceania" increased in the 1970s and the percentages of both exports and imports increased. Fifthly, the ratio of exports to imports decreased from 55.8% in 1971 to 48.5% in 1979. In the 1980s this ratio improved and reached to 84.9% in 1986. However, a surplus in the foreign trade was recorded only with the clearing transaction countries. The trade with Western Europe, North America, "Asia, Africa, Latin America and Oceania" remained in deficit.

As to the structure of the current balance. The trade balance remained chronically an excess of imports. The deficit in the trade balance had been compensated by the surplus in the invisible trade such as tourism and transportation, and the surplus in the transfer balance such as remittances by emigrants and gastarbeiters. In some years the current balance recorded a deficit. For example, immediately before the first oil shock in 1973 the trade balance had a 1,660 million \$ deficit, but the current balance had a 480 million \$ surplus owing to a 740 million \$ surplus in invisible trade and a 1,400 million \$ surplus in transfer balance. As the remittance by gastarbeiters occupied about 1,200 million \$ out of 1,400 million \$ surplus in invisible trade in 1973, its significance in the international balance of Yugoslavia was great. Although the number of gastarbeiters had decreased year by year the sum of their remittance continued to increase little by little and reached about 1,700 million \$. In this year, however, deficit in the trade balance amounted to 7,225 million \$. The huge amount of deficit could hardly be compensated by the remittance and surplus in the invisible trade which amounted to about 1,500 million \$.⁹⁾

Economic Development and Foreign Funds

Yugoslavia was a member country of the International Monetary Fund since its inauguration. Loans from the International Bank for Recovery and Development (World Bank) had played a big role in the economic development of Yugoslavia, in particular, in the improvement of its infrastructure. In the 1970s private funds gradually became more important sources of funds than public funds (Table 4.3). From 1968 to 1982 borrowings of private funds continued to increase every year at the rate of 29.7 % on average. The percentage of private funds in the total borrowing from foreign countries was 27% in 1968, while its percentage came to occupy four fifths (79.9%) of the total borrowing.

Such a change had a relation with the decentralization in the economic decision-making. In 1968 enterprises (RO) were given the right to get credits either directly or through banks. As to sources of funds by areas in 1980, 13.5% of the total foreign borrowings came from international financial institutions, 68% from western countries, 13.0% from socialist countries and 5.0% from the OPEC countries. Although borrowings from the OPEC countries occupied only 1% of the total foreign borrowings in 1969, their percentage had rapidly risen after that. This was due to the fact that the OPEC countries accumulated oil moneys. Among Arab countries Kuwait had given Yugoslavia the biggest loans until 1981.¹⁰⁾

As to the structure of medium and long term loans by purposes of usage, credits for importing foreign equipments had occupied a dominant position from 1961 to 1981 (49%-57% of the total loans). Loans for importing raw materials, loans for importing commodities and financial loans had followed this. Financial loans were used for purchasing commodities and financing deficit in the international balance. The percentage of financial loans were changing between 22% and 38% from 1961 to 1979 but in the 1980s it began to increase abruptly. It was 42.4% in 1981, 47.9% in 1982 and 51.5% in 1983.¹¹⁾ More than a third of equipment imports were financed by credits. Debts due to credits for equipment imports had increased by 22.2% on average annually.

Table 4.3 Structure of Borrowings by Sources of Funds(%)

Year	Public funds	Private funds
1968	73.0	27.0
1969	61.6	38.4
1970	56.2	43.8
1971	47.1	52.9
1972	59.1	40.9
1973	43.8	56.2
1974	46.6	53.4
1975	44.0	56.0
1976	37.0	63.0
1977	33.4	66.6
1978	35.3	64.7
1979	29.2	70.8
1980	25.0	75.0
1981	27.3	72.7
1982	20.1	79.9

Sources: Dragana Gnjatovic, *Uloga inostranih sredstava u privrednom razvoju Jugoslavije*, Ekonomski institut Beograd, 1985, str.95.

II Actualization of Contradictions

Yugoslavia accomplished a high rate of economic growth again in the second half of the 1970s. Although the growth rate of social product was only 3.9%, it became as high as 8.0%, 6.9% and 7.0% in 1977, 1978 and 1979 respectively. Such a high rate of growth was sustained by domestic demand with equipment

investment as a nucleus. Investments in fixed assets had increased at the rate of 8.2%, 9.5%, 10.5% and 6.4% in 1976, 1977, 1978 and 1979 respectively. Organizations of associated labor were very anxious to invest in equipments.¹²⁾ When we visited in 1984 Bogdanovic-Senko, president of the Confederation of Trade Unions of Yugoslavia at that time, told us as follows:

The right of decisions which organizations of associated labor enjoyed had become strong. In an effort to modernize itself each organization of associated labor took the initiative. The initiatives tended to go to excess and led to a stihija (unbridled natural elements) as a whole. Workers thought that modernization would bring them increased personal incomes. With the same zeal commune authorities had also tried to reinforce production capacities. As the credit of foreign countries was cheap they borrowed money one after another and made large-scale investments. For example, in 1978 and 1979, about 30,000 projects of various sizes had been constructed in the economic sphere and the non-economic sphere altogether. This means that a commune had 60 projects on average. We had extended the forefront too wide.

As to consumption, personal consumption increased at the rate of 5.3% on average in 1971-1975 and 4.9% in 1976-1980. If we take into account only the years 1976-79, it increased at the rate of 6.0% on average. Social consumption increased at the rate of 5.1% on average in 1971-75 and 5.4% in 1976-1980. If we take into account only the years 1976-1979 it increased at the rate of 7.0%. The percentage of the total of personal consumption and social consumption in the social product was less than 60% until the economic reform of 1965 (59.6% in 1964). This percentage constantly continued to increase and reached to 75.3% in 1971-1975 and 77.6% in 1976-1980 on average. The percentage reached a peak in 1976-78 when it occupied almost four fifths (79%) of the social product.¹³⁾

The final domestic consumption (including investments) had consistently exceeded the social product. The final domestic consumption exceeded the social product by 8.3% in 1976-1980 and by 10% in 1979. A big imbalance between the

domestic consumption and the gross domestic product had been compensated by the excess of imports and the external debts. It was unfortunate for Yugoslavia that exports to the western countries were stagnating in the second half of the 1970s due to the depression in these countries. In addition, it is said that the dinar rate was set too high by about 10% owing to the progressing inflation in the 1970s. Such an unrealistic rate for the dinar contributed to the weak competitiveness of Yugoslav commodities on the world market. As a result of the second oil shock, the deficit in the trade balance had further increased. While the ratio of exports to imports was 84%, it decreased to 66.2% in 1976 and to 48.5% in 1979. In 1978 the deficit in the trade balance was 4,317 million \$, which was already an abnormally big amount. It finally became 7,225 million \$ in 1979.

The accumulated external debts, which were 3.2 billion \$ in 1971, amounted to 9.5 billion \$ in 1977. Afterwards, they quickly increased in a short period and approached 15 billion \$ in 1979 (Table). In 1978 short-term credits suddenly began to increase. Once, from the late 1960s to the early 1970s short-term credits had occupied 12-14% of the total credits from foreign countries and after that their percentage had decreased to 1.2% in 1977. Then, however, it had again increased to 3.7%, 4.4%, 7.1%, 8.1% and 8.7% in 1978, 1979, 1980, 1981 and 1982 respectively.¹⁴⁾

"By the late 1970s Yugoslavia was becoming increasingly dependent on variable-interest, 'role-over' loans from the private sector."¹⁵⁾ When we have a look at the terms on which Yugoslavia borrowed in 1972-82 (in this case medium- and long-term guaranteed loans only) we perceive drastic changes. The percentage of variable interest rate loans in the total disbursed debt was only 5.3% in 1979, but then quickly increased to 23.9%, 35.0% and 37.7% in 1980, 1981 and 1982 respectively. The average rate of interest being paid by Yugoslavia on guaranteed loans from private sources was 7.3% in 1972, but it rose to 17.6% and 18.7% in 1980 and 1981 respectively.¹⁶⁾

Table 4.4 Structure of Accumulated External Debts

	1971	1975	1978	1979	1980	1981	1983
1. Medium and long-term loans	2,792	6,470	11,401	14,303	18,545	18,545	19,369
Financial loans	846	2,354	4,281	5,514	7,207	7,860	9,969
Commodity loans	1,946	4,116	7,120	8,789	9,893	10,685	9,395
Equipments	1,447	3,608	6,284	7,794	8,789	9,116	7,123
Raw materials	234	346	747	930	966	1,362	2,272
Foods	227	123	50	32	100	32	-
Others	38	39	39	33	38	175	-
2. Short term loans	297	114	432	649	1,295	1,623	1,141
3. Total debts(1+2)	3,181	6,584	11,833	14,952	18,395	20,168	20,505
4. Debt Service Ratio(%)		20	18	25	22	21	32
5. DSR in terms of hard currency(%)		24	20	26	26	25	43

Sources: Dragana Gnjatovic, nav.delo., str.84; *Jugoslavija 1945-1985*, Savezni zavod za statistiku, Beograd, 1986, str.168.

The economic development relying on foreign borrowings could no longer be continued. A turnabout in the economic policy began in the middle of 1979. A joint session of the Central Committee of LCY and the Confederation of Trade Unions of Yugoslavia was held at the end of 1979 and at the meeting it was stressed that the stabilization of the economy would require a restraint of increase in the personal income of workers.

In this way, reduction of the all types of consumption including investment, devaluation of the dinar, restraint of imports and expansion of exports were

pursued. When the economic development had come into collision with a blank wall of external liquidity and the support by foreign borrowings had disappeared, contradictions of the Yugoslav economy had at once come to the fore. Although Yugoslavia succeeded in forcing the international balance into an equilibrium by the turnabout in economic policy, other indicators took a sharp turn for the worse. In the first place a shortage in semi-final products (repromaterial) came to the surface, then it negatively affected production, productivity of labor, real personal income, etc. in the way of a chain reaction. The accumulated external debts amounted to 18.4 billion \$ in 1980 and 20.2 billion \$ in 1981. Although it showed little increase, the debt service ratio in terms of hard currencies reached 43% in 1983 (Table 4.4). The obligation of repayment became a heavy burden to the Yugoslav economy.

At the beginning of 1981 the IMF approved a credit which provided Yugoslavia with 2.2 million \$ in 3 years. This made the total debt of Yugoslavia to the IMF as high as 400 % of its quota, which was close to the maximum 450%. This credit hardly satisfied a deficit in the current balance of 1980. The IMF set a conditionality to Yugoslavia in the same way as to other countries with accumulated debts. The Yugoslav government was obliged to promise to adopt tight financial and budgetary policies and a policy of retrenching public expenditures.¹⁷⁾ Even though the amount was very little, the support from the IMF was indispensable to get supports from commercial banks in western countries. In October 1981 the President of the National Bank of Yugoslavia visited London to obtain about 400 million \$ loans from banks in western countries. By the middle of 1982 the situation had further aggravated. In this year Yugoslavia had to repay 4.2 billion \$(Dyker said that it was 5 billion \$) with interest included but it became clear that unless large scale new credits were given, Yugoslavia would not be able repay this amount. It was encouraging for Yugoslavia that Tom Clausen, President of the World Bank visited Yugoslavia in November. "He advised the Belgrade government to concentrate on export stimulation rather than import substitution, and promised World Bank support

for restructuring policies."¹⁸⁾ After that Yugoslavia made negotiations with international financial organizations and western commercial banks from 1982 through 1983 and managed to get a massive rescheduling package, which was finally announced in April 1983. This rescheduling package involved 15 countries and 583 creditor banks. 80 per cent of the outstanding private debt was accounted for by the biggest 20 of those. Among others Manufacturers Hannover Trust of New York was leading the private consortium.¹⁹⁾

III Causes of the Economic Crisis

The main cause of the economic crisis can not be ascribed to the external economic relations. The western developed countries also experienced the two oil shocks, but they have recovered from the stagnation. The real roots of the economic crisis must be found in the Yugoslav economy itself. There are various causes, which synergetically exerted the economy. These are as follows:

1) The development strategy which had been adopted since the economic reform of 1965. Especially Dr. Kosta Mihailovic and Dr. Laura Tyson attach importance to this point.²⁰⁾ Originally the price of scarce capital should be expensive and the price of abundant labor power should be cheap. Nevertheless, these were quite opposite in practice in Yugoslavia. Namely, the price of capital (interest) was set at an artificially low level and the price of labor power was set at an artificially high level. Consequently enterprises were inclined to capital-intensive investment, and as a result the increase in employment was slow. Relatively high level of personal incomes of workers in urban regions was a factor which absorbed labor powers from rural regions which had a potentially surplus population. Besides, another problem was that the industrialization with an emphasis toward heavy and chemical industries had been pursued until the late 1970s. This had consumed an enormous amount of energy. Although the development of a basis of raw materials had been emphasized in the two

medium-term plans in the 1970s, its development lagged behind in fact. As the imbalance between the basis of raw materials and the manufacturing capacity had further increased, imports of raw materials, energy and semi-products had rapidly increased.²¹⁾

2) The simultaneous expansion of consumption and investment. Workers were keenly interested in a larger share of personal incomes and joint consumption in the distribution of enterprises' income. As the top management were expecting their reappointment, they were not ready to disobey the workers' request.²²⁾

Let us examine the distribution of the social product in 1978. While 73.02% of gross income was distributed to personal incomes and joint consumption, only 8.17% was distributed to "accumulation" (material basis of labor and reserve fund). Their proportion was almost 9:1. Although the saving rate was at such a low level, both workers and top management were ambitious to invest in equipments. The ratio of gross investment to social product was about 36% in 1976-1980 and its ratio amounted to 42.8% in 1978. The savings of organizations of associated labor was less than one fifth of their total investments.²³⁾

Organizations of associated labor had very small amounts of savings (own funds). How could they invest on such a large scale? They could rely on outside resources. When we have a look at the origins of funds for investments in 1980 for example, own funds and associated funds (funds pooled by more than two OOURs) shared 20.4% of the total funds, funds of the FAD (Fund for Accelerated Development for Less-Developed Regions) and funds based on Republican and Provincial laws as well as foreign investors' funds 10.8%, foreign credits 30.1% and domestic banks' credits 38.7%.²⁴⁾ The inflation rate had been varying between 9% and 26%.²⁵⁾ Since a low interest rate within the conditions of the high inflation rate practically meant a negative interest rate, it was more advantageous for enterprises to borrow money from outside. In the second half of the 1970s about 15% of funds for investments originated in household's savings while borrowings from foreign countries occupied a considerable proportion. The proportion of foreign funds to the gross fixed investment in

1974-1979 was 28.2%.²⁶⁾

3) Defect in the foreign exchange control system. According to Gnjatovic, borrowing from foreign countries had been made in a centralized way until 1966. In 1966 by the new law on credit relations with foreign countries, borrowings from foreign countries should be basically made by banks. Such a system had lasted until 1971. Till then Debts to foreign enterprises had not amounted to a serious level. By the new law on business of foreign exchange and credit of 1972, organizations of associated labor became main borrowers in foreign countries. Gnjatovic explains:

A change in the credit system in 1972 was the logical consequence of the decentralization of the economic system as a whole. However, the sudden liberalization of main borrowers in foreign countries had exerted a direct influence on a rapid increase in borrowings, especially financial loans.²⁷⁾

Another big impact came from the new law on foreign exchange business and transaction relation of foreign credit of 1977. In accordance with this law SIZs of external economic relations were established on the level of Federation and Republics. According to Nozomu Abe, SIZs of external economic relations were composed of organizations of associated labor which had been obtaining or using foreign currencies, other types of SIZs, banks and other organizations. In the case of the Republic of Croatia, in 1977 the number of economic entities which were bound to make plans on external economic relations was 728, in which there were 350 exporters and 378 organizations which gained allotments of foreign currencies. The reason why SIZs were established even in the field of external economic relations consisted in the point that "more thorough self-management" and "more thorough advance adjustment=planning" were considered necessary.²⁸⁾

According to Dyker, however, the whole system was hi-jacked by the republican SIZs for External Economic Relations. As it was so much easier for the republican SIZs to articulate import needs than export policies, the system quickly degenerated into an exercise in deficit-maximizing.²⁹⁾

The republican SIZ-ovi[SIZs] were just as slow in getting agreement on the Balance of Payments 'plan' for each year. With the annual round of negotiations usually ending up as a battle between the export-oriented western regions -- and the rest, Yugoslavia found itself in 1980, for example, without any firm policy stance on the Balance of Payments for the first seven months of the year. ³⁰⁾

The above mentioned foreign exchange control system had permitted a disordered increase in external debts in the second half of the 1970s. Moreover, it is surprising that even the government's international financial negotiating team did not have exact data with respect to their our foreign obligations. They could not establish in advance, before they went to the meeting, where these unpaid obligations were hiding and learned this from their foreign partners instead. ³¹⁾

4) Defects in the financial system and loosening of financial discipline. ³²⁾ In the 1974 Constitution banks were made financial institutions which ought to serve organizations of associated labor. Banks were established by organizations of associated labor. The highest organ of banks was the bank assembly. The latter was composed of delegates who were sent by organizations of associated labor, founding members of the bank. The right to vote at bank assemblies was not proportional to the amount of money invested. Each founding member enjoyed one vote. In fact, a small number of founding members which sent their delegates to the managing board of the bank exerted an important influence on bank management. Local political circles which had a big influence in the election of the bank director, likewise, exerted an important influence on the bank management. Organizations of associated labor owed banks a large amount of debt and local political circles were interested in financing the local organizations of associated labor for the purpose of development of the regional economy. These facts meant that banks were actually managed by big debtors. Therefore, the principal interest of banks did not consist in maximization of the contributors' profit. Pressures were constantly put on banks to make interest

rate as low as possible. Even if the interest rate was substantially negative, banking business did pay as long as the lending interest rate was higher than the depositing interest rate.³³⁾ Such a low interest rate was due to remnants of the old idea that capital should be free of charge and the influence of an ideology that unearned incomes were evil. Banks gave loans with low interest rates. In addition, they did not actively withdraw the principal lent. Instead, they gave short-term loans additionally in order for organizations of associated labor to pay interests continuously. The banks were interested in acquiring interest to form their own revenues and to avoid reckoning up the losses. Even if a loan proved a failure, the central bank bore the consequences.³⁴⁾

5) Investment decision-making which was not based on the market criteria. It was revealed in the 1980s that a great number of the large scale investments which had represented the 1970s were actually unsuccessful. It is pointed out that these decisions on investments were made not by organizations of associated labor themselves but persons outside, especially politicians at the Republics level. A deterioration of world market conditions of basic metals and failures of the productions which depended on imported raw materials.³⁵⁾ There are too many cases of unsuccessful gigantic investments to enumerate. It is said that "when we travel in Yugoslavia we will encounter the wreckages of unsuccessful investments every 100 km."³⁶⁾

6) Socialization of losses (socialization of risks). The Yugoslav unique conception of socialist ownership can be summarized in the expression "Means of production are everybody's and nobody's". Workers were constitutionally assured a right to work with the socially owned means of production. In fact workers groups as organizations of associated labor exercised this right. Organizations of associated labor were obliged to maintain and increase the value of the means of production which they had been occupying and using. Economic operations in "social ownership" tended to result in "socialization of losses" or "socialization of risks".³⁷⁾ For example, procedures for bankruptcy and liquidation were seldom taken to deficit organizations of associated labor.³⁸⁾ Measures for

rehabilitation were taken at the previous stage. Deficit organizations of associated labor could rely on various steps so as to compensate their losses. Firstly, it is natural that their losses were compensated by their own reserve funds. Secondly, their losses could be compensated by reserve funds of other organizations of associated labor in the framework of the same RO or the same SOUR. Thirdly, there were cases when an outside OOUR extended solidarity assistances if the deficit organization of associated labor was an important partner (supplier or customer), no matter whether both organizations were not connected by a self-management agreement. Fourthly, their losses were compensated by the reserve funds which were pooled at the levels of communes, Republics and Provinces. Fifthly, they could get additional loans for rehabilitation and reschedulings, and sometimes their debts were cancelled. Sixthly, payments of taxes to socio-political communities and payments of contributions to SIZs could be postponed or exempted.

There was a law on bankruptcy but this was, in fact, seldom applied. Because local political circles often exerted pressures on banks into lending loans to depressed organizations of associated labor in order to relieve them. Let me give figures for 1981 for example: Deficit OOURs accounted for 7.8% of the total OOURs of economic fields in the social sector, and 4.9% of the total number of workers in the social sector. The amount of their deficit occupied about 1.5% of the Gross Material Product. In 1981 there were 1,303 deficit OOURs, in which only 20 OOURs were taken into the procedure for bankruptcy. In 1982 there were 1,277 deficit OOURs, in which only 14 OOURs were taken into the procedure for bankruptcy.³⁹⁾ Even deficit OOURs made investments. In this way, organizations of associated labor behaved in "the soft budget constraint" for a long time. This was also one of causes of the economic crisis.

7) Weakness (or lack) of the adjustment capability of the federal government. Since powers of the federal government had been transferred to Republics and Provinces, and even to communes as a result of decentralization and de-etatization, the federal government had very limited powers. Therefore, the

federal government could not take effective measures against disordered borrowings from foreign countries in the second half of the 1970s and also at a later period it had exposed its weakness in the adjustment capability.

8) Weakness of the regime of the 1974 Constitution itself. Kosta Mihačević explained as follows:

The system's philosophy is 'economy without coercion' and 'a kind of voluntary negotiation economy'. The economic system is not based on the necessary adjustment of actions and reactions, and rewards to successful economic entities and punishments to unsuccessful economic entities.⁴⁰⁾

According to Vujo Vukmirca, by the beginning of 1982 more than 3 million self-management agreements and social contracts had been concluded and about a hundred and thirty thousand self-management organizations and communities had participated in them. The negotiation system, which had operated through these self-management agreements and social contracts, had separated organizations of associated labor from markets, and in turn socio-political organizations and socio-political communities dominated organizations of associated labor.⁴¹⁾ Thus, on the contrary to the expectation, the negotiation system turned out to be very ineffective.

9) Excess of the decentralization in the regime of the 1974 Constitution. Here I have to point out the tendency of disintegration in two senses: disintegrations at the Federation level and at the enterprise level. Firstly, as to the enterprise level, the reorganization of enterprises was made on the basis of the Associated Labor Act of 1976. Since basic organizations of associated labor (OOURs), which had been established within an enterprise (Radna Organizacija: RO), acquired relative independence, they lost unity. The radical decentralization of resources to the OOUR level as well as decision-making on the basis of the consensus method made effective economic operation difficult.

Table 4.5 Sales of commodities and services within a same Republic(Province)

	1970	1972	1974	1976	1978
Slovenia	57.8	59.2	63.3	64.5	66.3
Croatia	62.8	63.7	64.4	68.8	70.4
Bosnia-Hercegovina	63.2	65.2	68.9	67.3	69.1
Montenegro	48.7	53.2	55.5	62.7	64.5
Macedonia	66.5	66.6	68.3	63.4	65.2
Serbia proper	60.0	60.7	62.5	65.2	67.0
Vojvodina	50.0	53.6	56.2	62.6	64.4
Kosovo	56.6	62.2	55.8	62.6	64.4
Yugoslavia as whole (average)	59.6	61.3	63.4	65.7	67.5

Sources: Dragisa Pavlovic i Ivan Stojanovic, *Ko Radnike Povezuje Laznim*

Koncima--Ekonomska Preispitivanja--, Bigs, Beograd, 1984, str.290.

Secondly, the tendency of territorial closing of the economy. Although the necessity of the unified Yugoslav market was always stressed, in fact the tendency of territorial closing of economies was proceeding in the 1970s. In the case of the Republic of Montenegro, for example, the ratio of commodities and services sold within the Republic increased from 48.7% in 1970 to 64.5% in 1978(Table 4.5). In parallel with this, the ratio of commodities supplied from outside the Republic decreased from 61.8% in 1970 to 45.3% in 1978. The ratio of commodities delivered outside the Republic also decreased from 51.3% to 32.2% in the same period(Table 4.6). This means that in contrast to the historical trend inter-Republican(Provincial) thresholds became higher in Yugoslavia. Zoran Pijanac paying attention to this phenomenon, argued that 8 national economies had been created in Yugoslavia.

Table 4.6 Supply and Delivery of Commodities outside a same Republic(Province)

	Supply from outside		Delivery to outside	
	1970	1978	1970	1978
Slovenia	23.9	21.3	42.2	35.5
Croatia	27.4	20.3	37.2	28.9
Bosnia-Hercegovina	36.9	27.1	36.8	30.5
Montenegro	61.8	45.3	51.3	32.2
Macedonia	36.2	30.2	35.5	35.4
Serbia proper	32.6	26.1	40.4	30.8
Vojvodina	30.8	27.5	50.6	34.7
Kosovo	53.7	47.6	43.4	37.1
Yugoslavia as whole (average)	38.0	31.0	40.0	32.0

Sources: Nav.delo., str.291.

Originally in the concept of the 1974 Constitution, integration from the bottom by associations of labor and resources should not be confined to ROs and SOURs but also developed to the whole Yugoslavia. However, there occurred the tendency of territorial closing of the economy in parallel with the reorganization of enterprises("OOURIZACIJA") in the 1970s.

How were the both phenomenons connected? The first point to be considered is that the public finance system of Yugoslavia had encouraged investments in "own territories and own projects". For example, organizations of an electric machine producing company "ISKRA" were spread over 24 communes. As each commune authority was eager to have an independent OOUR the number of

OOURs increased. It is said that as a result the control of Ljubljana(the headquarters SOUR) over the ISKRA's local organizations had weakened.

The tendency of territorial closing of economy lead to a kind of autarchy. In this regard Juri Bajec said as follows:

Every territorial unit endeavors to save deficit products(at present, these are raw materials and semi-manufactured raw materials) for itself, to secure high tax revenue by their maximum 'circulation' within its boundary, and further to protect its final products from more productive and active competitors in other territories.⁴²⁾

It is said that the tendencies of territorial closing and autarchy had been further promoted by the law on foreign currency dealing and external credits of 1977.⁴³⁾ This law obliged each Republic and Autonomous Province to draw up its balance of international payments and to realize planned exports and foreign currencies revenue. In fact, in the overall foreign currency deficit each Republic and Autonomous Province behaved so as to increase foreign currency revenue in its territory as much as possible in order to make the accounts balance. Consequently as the same autarchic movement was going on within the framework of each Republic and Province or commune, these territorial units became directly connected with the world economy. For example, there even occurred cases where a territory exported a raw material to a foreign country in order to get foreign currency while a different territory was obliged to pay foreign currency to import the same raw material from a foreign country at a high price.

Conclusion

I think that the above mentioned causes synergetically exerted on the economy and finally lead to the economic crisis. In other words, economic development in the 1970s was based on loose economic operation. The regime of

the 1974 Constitution further aggravated the loose economic operation. This fact brought down the economic crisis on Yugoslavia.

At first leaders of Yugoslavia tried to overcome the economic crisis within the framework of socialism. But they gradually became obliged to seek recipes which would exceed the framework of socialism. An important factor is that this country had an enormous amount of accumulated foreign debts and that therefore she had to keep in line with the international financial institutions' advice. Already the long-term plan for economic stabilization was elaborated under the influence of the IMF.

According to Nozomu Abe, Yugoslavia had observed the instructions of the IMF fairly well, although not sufficiently, especially after 1986. The conditionalities of the IMF were as follows: 1) Adaptation of the policy of interest rates higher than the inflation rate; 2) Price policy oriented to the abandonment of the price freezing system; 3) Policy of maintaining the real dinar rate; 4) Establishment of financial discipline, 5) Limitation of an increase in personal incomes. However, the economic crisis was not improved but rather aggravated. The reason is that the IMF had adapted to Yugoslavia "a general recipe which was adaptable to any country". But the Yugoslav economy had an idiosyncrasy, that is, the unique economic system. In December 1990 Prime minister Ante Markovic announced an economic policy which would promote the transition to a market economy with strong support by international organizations such as the IMF, but at that time conflicts among Republics had already deepened and the federal government had completely lost the internal basis to implement it.⁴⁴⁾

Notes

1) "Social Product" is a category which corresponds 'national product' in production branches plus 'amortization' plus 'turnover tax' and is a variant of Gross Material Product (GMP).

- 2) *Statisticki Godisnjak Jugoslavije 1988*, str.93.
- 3) Laura d'andrea Tyson, *The Yugoslav Economic System and its Performance in the 1970s*, Berkeley, Institute of International Studies, University of California, Berkeley, 1980, p.31.
- 4) *Ibid.*, p.52.
- 5) *Ibid.*, p.36.
- 6) Masayuki Iwata, *Bonjin tachino Shakaishugi Jugoslavia, Poland, Jishukanri [Socialism of Mediocre Persons: Yugoslavia, Poland and Self-management]*, Chikuma shobo, Tokyo, 1985, p.37.
- 7) Tyson, *op.cit.*, p.52.
- 8) Martin Schrenk et.al., *Yugoslavia: Self-management Socialism and the Challenge of Development*, The Johns Hopkins University Press, Baltimore and London, 1979, pp.91-92.
- 9) Dragana Gnjatovic, *Uloga inostranih sredstava u privrednom razvoju Jugoslavije*, Ekonomski institut Beograd, 1985, str.82.
- 10) *Isto*, str.97.
- 11) *Isto*, str.98.
- 12) *Statisticki Godisnjak Jugoslavije 1988*, str.168.
- 13) Aleksandar M. Vacic, "Cinioci Odstupanja Razvoja Jugoslavije od Socijalisticke Samoupravne Robne Privrede", *Socijalizam*, 11, 1983, str.1623-1624.
- 14) Gnjatovic, *nav.delo*, str.94.
- 15) David A. Dyker, *Yugoslavia: Socialism, Development and Debt*, Routledge, London and New York, 1990, p.120.
- 16) *Ibid.*, pp.121-122.
- 17) *Ibid.*, p.122.
- 18) *Ibid.*, p.123.
- 19) *Ibid.*, pp.123-124.
- 20) Kosta Mihajlovic, "Privredna Kriza Jugoslavije: Uzroci i Moguci Izlaz", *Ekonomaska Misao*, Godina 16, Br.2, Beograd, Juni 1983, str.11; Tyson, *op.cit.*,

p.48.

- 21) Miodrag K. Skulic, *Uzroci Sadasnje Ekonomske Krize u SFRJ*, Zapis, Beograd, str.3-22.
- 22) Cf. Nozomu Abe, "Yugoslavia niokeru kigyono shotoku [Income Distribution of Enterprises in Yugoslavia]", *Tokai daigaku kyoyogakubu kiyobun [Bulletin of Faculty of Arts of Tokai University]*, No.15, 1984.
- 23) Skulic, nav.delo, str.11.
- 24) Isto, str.14.
- 25) *Statisticki Godisnjak Jugoslavije 1988*, str.220.
- 26) Kazuo Nonomura (ed.) *Tekisutobukk Shakaishugi Keizairon [Textbook Socialist Economy]*, 1986, p87. In this book Masayuki Iwata said as follows: "The fact that the Yugoslav economy had invested more than its own savings had no relation with the introduction of the regime of the 1970s. During the period from 1954 through 1979 it introduced foreign accumulation which corresponded to 7% of its social product. Until the middle of the 1960s economic assistance and war had been dominant in the foreign funds. Since the middle of the 1970s pure credits rather than remittances became the main origin of foreign funds. When we look back at the strategy of economic development and the process of the economic system since the middle of the 1960s we find that unfortunately the implication of a transformation from gratuitous foreign funds to onerous foreign funds had hardly been taken into consideration." (Ibid., pp.89-90.)
- 27) Gnjatovic, nav.delo, str. 147-149.
- 28) Nozomu Abe, "Yugosurabia no boeki shisutemu [The Foreign Trade System in Yugoslavia]", *Komekon to EC tono keizaikyoryoku [Economic Cooperation between Comecon and EC]*, Sorentoo boekikai, 1983, p.124.
- 29) Dyker, op.cit., pp.117-118.
- 30) Ibid., p.118.
- 31) Ibid., p.123.
- 32) There was a big difference between the dominant opinion and foreign

researchers' view concerning the evaluation of banks. American researcher Laura d'andrea Tyson said in her book published in 1980: "Although outside observers might conclude that the Yugoslav banking system has been weakened and its operation distorted by 'excessive' borrower or customer control over bank lending policies, the dominant opinion in Yugoslavia in recent years has been almost the opposite--i.e., that banks have had too much influence on and independence from the enterprises they serve." *The Yugoslav Economic System and Its Performance in the 1970s*, Institute of International Studies, University of California, Berkeley, 1980, p.50.

33) This can explain why banking business did pay, but this is not enough to explain why people deposited money in banks. The reason why people deposited in banks even at a substantially negative interest rate due to inflation might be attributed to the fact that they wanted to prepare for necessity. In any case, foreign currency deposits as means for the preservation of value tended to increase.

34) Neven Mates, "Some Specific Features of Inflation in a Heavily-Indebted Socialist Country", *Economic Analysis and Worker Management*, Vol.21, No.4, 1987, pp.420-425; Skulic, nav.delo, str.14.

35) Namiko Akitsu, "Yugoslavia no keizaikonan to 'anteika keikaku'[Economic Difficulties and 'plan for stabilization']", *Kagaku to shiso[Science and Thought]*, No.56, 1985, p.73.

36) Masayuki Iwata, op.cit., p.15.

37) On the character of nobody's possession see the following books: Masayuki Iwata, op.cit., and Yoshiaki Nishimura, *Gendai Shakaishugi niokeru Shoyu to Ishikettei [Ownership and Decision-making in Contemporary Socialism]*, Iwanami shoten, 1986, especially Chapter 7 'Hikokkaka to Yugoslavia Keizai[De-etatisation and Yugoslav Economy]'. Nishimura said that the hasty de-etatisation and de-fiscalization had brought "an institutional vacuum(a system of irresponsibility". He ascribed the inflation to the monopolistic market situation, an increase in personal income higher than an increase in

labor productivity, and overheated investment which derived from little burden of risk. He said that in order to overcome the the system of irresponsibility it was indispensable to actively introduce certain elements of state function.

- 38) Peter T. Knight, *Financial Discipline and Structural Adjustment in Yugoslavia: Rehabilitation and Bankruptcy of Loss-Making Enterprises*, The World Bank, Washington, D.C., 1984; Nenad Zakosek, "Sistem Sankcija za Nelikvidnost i Gubitak OUR-a u Jugoslavenskom Privrednom Sistemu", *Ekonomski Pregled*, Godina 37, Br.5-6, Zagreb, 1986.
- 39) Knight, op.cit., p.23.
- 40) Kosta Mihaikovic, "Privredna Kriza Jugoslavije: Uzroci i Moguci Izlaz", *Ekonomska Misao*, Godina 16, Br.2, Beograd, Juni 1983, str.16.
- 41) Milan Milosevic, "Preduzece kao (kon)federacija", *NIN*, Br.1708, 25. septembar 1983, str.11.
- 42) *Radna Organizacija kao Privredni Subjekt*, Beograd, 1984, str.154.
- 43) Akitsu, op.cit., pp.63-64.
- 44) In description of this paragraph I am greatly indebted to Nozomu Abe, *Yugo Keizai no Kiki to Hokai [Crisis and Collapse of the Yugoslav Economic System]*, Nihonhyoronsha, Tokyo, 1993, especially Chapte 4 and Chapter 5.

Chapter 5

C o l l a p s e o f t h e R e g i m e o f t h e 1 9 7 4 C o n s t i t u t i o n : A n U n d e r l y i n g C a u s e o f t h e C o n f l i c t s i n F o r m e r Y u g o s l a v i a

The former Yugoslavia was a country of Southern Slavic Nations. Although there were differences in culture, religion, and the level of economic development among the regions they had lived together peacefully for more than forty years after World War II. In recent years, however, the peaceful coexistence of these nations has been transformed into civil war. Why? First, there is a close connection between this transformation and the regime under the 1974 Constitution. In the case of East European countries other than Yugoslavia, people had been forced to construct socialism of the Soviet type against their own will. These countries were not permitted to deviate from a course instructed by the Soviet Union. It is quite understandable that in these countries Communist governments collapsed after the Soviet Union itself began Perestroika and Gorbachev abandoned the limited sovereignty doctrine. In contrast to this, the Yugoslav people had constructed a unique form of socialism of their own free will. As is well known, after the expulsion from the Cominform in 1948 the Yugoslav people had begun to construct self-managing socialism which was different from socialism of the Soviet type. However, waves of

changes in East European countries in 1989-90 came surging over Yugoslavia. Why has socialism in Yugoslavia collapsed in a way similar to these other East European countries?

I. Yugoslavia: A Multinational State

In April 1941 Germany suddenly invaded Yugoslavia. In the occupation of Yugoslavia Hitler made full use of discords among nationalities in Yugoslavia, and in particular of discord between Croats and Serbs allowing Croatian fascists to establish the "Independent state of Croatia". Under these circumstances a Croatian fascist group "Ustasa" terrorized many Serbs in the territory. It is said that about 7 hundred thousand Serbs were massacred by the "Ustasa". In response to this, the Serbian Royalists, or "Chetniks" began to terrorize Croats. A fratricidal war proceeded within the national liberation war. It was the Communist Party of Yugoslavia headed by Tito that eventually led nationalities in Yugoslavia to surmount their discords and fight against foreign invaders with a united effort.

During this war important meetings were held which would determine the post-war political system. The second session of the Anti-Fascist Council of National Liberation of Yugoslavia (AVNOJ), held in Jajce in Western Bosnia on November 29th 1943, adopted a "Decision on the Building up of Yugoslavia on the basis of the Federal Principle". This decision stated that

In order to translate into reality the principle of the sovereignty of the nations of Yugoslavia, in order that Yugoslavia shall represent the true homeland of all its nations and never again become the domain of whatever hegemonistic clique, Yugoslavia is and shall be built up on the federal principle, which will ensure complete equality for Serbs, Croats, Croatia, Slovenia, Macedonia, Montenegro and Bosnia-Herzegovina.

Table 5.1 Population according to ethnic nationality

	number of population	percentage(%)
Serbs	8,140,452	36.3
Croats	4,428,005	19.8
Muslims	1,999,957	8.9
Slovenians	1,753,554	7.8
Albanians	1,730,364	7.7
Macedonians	1,339,729	6.0
"Yugoslavs"	1,219,045	5.4
Montenegrins	579,023	2.6
Hungarians	426,866	1.9
Gypsies	168,099	0.7
Turks	101,191	0.5
Slovaks	80,334	0.4
Romanians	54,954	0.2
Bulgarians	36,185	0.2
Valachians	32,063	0.1
Ruthenians	23,285	0.1
Czechs	19,625	0.1
Italians	15,132	0.1
Ukrainians	12,813	0.1
Others	38,287	0.2
Persons who did not declare their ethnic nationality	46,698	0.2
Persons who declared in line with regional affiliation	25,717	0.1
Unknown	153,333	0.7
Total population	22,424,711	100.0

Sources: Federal Statistical Office, *Statistical Pocket Book of Yugoslavia 1984*, Belgrade, p.34.

The important point here is that since the unitarism before the war had resulted in a Serbian-led state the AVNOJ denied unitarism and adopted a Fédération for the post-war state system. However, Kosovo--where Albanians accounted for three quarters of the population--was not given the position of a Republic and was made, instead, a part of the Republic of Serbia although Kosovo had 1.6 million inhabitants. It seems unnatural that Kosovo was made a part of Serbia while Montenegro, with less than 600 thousand inhabitants, was given the position of a Republic.

More than twenty ethnic groups live in this country if we also take into account ethnic minorities. Table 1 shows populations by ethnic groups based on the national census in 1981. The nationality which has the largest population is Serbs(36.3%) followed by Croats(19.7%). Muslims, who were the third largest nationality(8.9%), are slavic Muslims who mostly inhabit the Republic of Bosnia-Herzegovina. They were treated as a nationality in Yugoslavia. The word "Yugoslav" does not mean citizen of Yugoslavia but is a definition of a nation which reflected "a dream of communists who tried to create Yugoslavs which should have risen above nations". They lived mostly in the Republic of Bosnia-Herzegovina and the number of inhabitants has been changing drastically according to every national census. For more than 40 years after the World War II nations in the former Yugoslavia have lived together happily. It was not until two or three years ago that these nations came to confront each other. National conflicts began simultaneously with the collapse of the regime based on the 1974 Constitution.

It was the Croatian national movement in 1971 that had exerted a big influence on the establishment of this constitution. As I have already mentioned in Chapter 1, the national movement led by Matica Hrvatska had become so radical

that the unity of the Yugoslav Federation was imperilled[jeopardized] and this movement was finally suppressed by Tito. The regime of the 1974 had carried out decentralization and strengthened the powers of republics and autonomous provinces in order to bring nationalistic movements under control and at the same time to secure political stability. This constitution determined that Yugoslavia should exist as a loose Federation. The constitution allocated to the Republics and Autonomous Provinces primary sovereignty and all powers except those explicitly granted to the Federation. The Federation's powers were restricted almost entirely to foreign policy, national defence, and measures necessary to ensure a unitary Yugoslav market, common monetary and foreign trade policies, the principles of the political system and ethnic and individual rights. The Presidency of Yugoslavia as a collective head of state was to be comprised of 9 members, that is, a representative from each Republic and Province plus a Party President. Although Vojvodina and Kosovo, which were Autonomous Provinces within the framework of the Republic of Serbia, had fewer delegates in the Federal Assembly, the both Provinces enjoyed de facto the same position as a Republic in the sense that they had a veto in decision-making at the Federal level.⁵⁾

The reason why I referred to Matica Hrvatska and its suppression in 1971 is as follows: I think one of the biggest contributions Tito made was that he integrated a multi-national state. In 1971 he rescued Yugoslavia which was on the brink of a national breakup. However, he solved this problem by strengthening party control. In doing so, he neglected an important task: the democratization of Yugoslav society and the introduction of a multi-party system which the development of market socialism naturally seeks. Although Yugoslavia was a decentralized socialism designed by the 1974 Constitution, she had a structure similar to the Soviet type of socialism which was, in essence, a one-party system. Due to an economic crisis as well as this one-party system, socialism in Yugoslavia has collapsed in the same way as in other East European countries.

II. Economic Crisis and National Conflicts

Yugoslavia had been developing with a comparatively high growth rate until the late 1970s, so much so that she had been reckoned among the NICs in the 1970s. As long as her economy was developing satisfactorily, the various nationalities within Yugoslavia lived together happily. But at the beginning of the 1980s her economy began to stagnate and was mired in crisis during the mid-1980s.

The causes of this economic crisis can be summarized as follows: Yugoslavia had been pursuing industrialization with an emphasis on the heavy and chemical industries in the 1970s. At the enterprise level, workers were inclined to distribute a large part of the gross income to personal incomes(wages) and common consumptions. Consequently, only a small part of the gross income was left for savings. Nevertheless, enterprises had strong desires to invest and they continued ambitious equipment investments relying on resources from outside such as borrowing from domestic and foreign banks. Because of the change in the credit system in 1972, self-managing enterprises could easily borrow funds from abroad. As a result, the accumulated external debt amounted to 20 billion US\$ in the early 1980s. In short, the rapid economic development of the 1970s was based on the loose economic operation which was inherent in such a self-managing economy. In addition, the regime of the 1974 Constitution, which included negotiation economy, tendencies of disintegration at the level of both enterprises and the Federation, etc., aggravated these loose economic operations. This brought about the economic crisis of the 1980s.⁶³

The economic crisis which came to the surface in the 1980s has been continuing for more than 10 years. Meanwhile the LCY has failed to produce any effective solutions for overcoming the economic crisis. This is why the LCY, which had functioned to bind the various Republics and nationalities into a country, gradually lost its prestige. Conflicts of interest among the Republics became reflected in the LCY itself. It is the Kosovo problem which triggered the

conflict among the Republics first. In spite of aid by the developed Republics through the Fund for Accelerated Development at the Federation level, the economic differences between the North and the South within Yugoslavia expanded further. While the economic difference between Slovenia and Kosovo in terms of per capita GNP was 3.2 : 1 in 1947, this ratio became almost 8 : 1 in recent years. People in the less developed region, especially in Kosovo complained about their miserable situations. Also, the developed regions complained about the inefficiency of their aid. Unemployment, high inflation rate, etc. became more acute. With such economic discontents as a catalyst, national conflicts became evident and were further aggravated within the course of the economic crisis.

President Tito, the charismatic leader, died in May 1980. One of Tito's biggest contributions had been that he had integrated the multi-national state. But he could not escape responsibility for the economic crisis since the causes of the economic crisis had accumulated during his reign. The next year, in March and April, there occurred revolts in Kosovo. The causes were economic discontent and a demand to raise Kosovo to the status of Republic. After the suppression of revolts, the Albanians' discontent struck inwards. Increasing violence toward Slavic minorities, especially Serbs and Montenegrins, and plundering occurred. Scores of thousands of Slavic minorities were obliged to escape from this Province in the following years. Many people in Serbia proper became irritated by the fact that, although Kosovo was a part of the Republic of Serbia, the Serbian authorities could not protect their Serbian brethren within Kosovo. Notwithstanding the fact that speeches and behavior which aimed at instigating inter-nationality hatred were strictly prohibited by the regime of the 1974 Constitution, "ethnicity" came to be used politically at first in Serbia, and later in the other Republics.

By inspiring people with an all-consuming Serbian nationalism a former banker, Slobodan Milosevic distinguished himself in the League of Communists of Serbia (LCS) and he became Party President of Serbia in 1986. But after 1987 the

LCS was not the same as the Party was before 1987. In 1987, the President of the Republic Presidency, and the President of the Party committee of Belgrade, etc., who had been critical to Milosevic, were released from their offices. Milosevic's supporters called the dismissals of leaders in Serbia an "Anti-Bureaucracy Revolution". As managing and editorial staffs were reshuffled, the mass media performed energetic campaigns regarding the Kosovo problem. In 1989 the Republic of Serbia amended the Republican Constitution. According to this Amendment the powers of the Autonomous Provinces were reduced. In July 1990, the Republic of Serbia dissolved the Assembly of the Autonomous Province of Kosovo and began to exercise direct rule over Kosovo. A great number of Albanian workers who did not accept the Serbian measures were dismissed from their workplaces.⁷⁾ Croatia and Slovenia resisted Milosevic's political style and the comparative rise of Serbia's position in the Federation.

At the 14th congress of the LCY which was held in January 1990, delegates from Slovenia requested a deletion of the principle of democratic centralism from Party statutes. They made this request in order that the Party members of Slovenia would not be bound by the Party lines which would be influenced by Serbia's opinions. When the request was rejected delegates from Slovenia immediately walked out of the Congress. Thus the dissolution of the LCY became evident. Since the single political party LCY had finally dissolved, the multi-party system became reality. Many political parties sprang up. Approximately 200 new political parties came into existence. From April through December 1990 free elections based on a multi-party system were carried out successively in each Republic.⁸⁾

Slovenia conducted the first free election in April and Croatia in April-May. As a result, noncommunist governments were formed in both Republics. In Slovenia, however, the newly elected President was the "Social Democratic Communist"⁹⁾, Milan Kucan. In Croatia the newly elected President was an enthusiastic Croatian nationalist Franjo Tudjman. He considered it very important that Croatia should become independent. He reappraised the

"Independent State of Croatia" which existed during World War II. This assertion naturally meant that he conceived of a "great Croatian state" which would include the Croats in Bosnia-Herzegovina. In the foreign policy arena he attached importance to close cooperation with Central Europe, especially with Germany. He did not conceal that he and his party, the Croatian Democratic Community(CDC), got assistance from foreign countries. He said that the CDC had 200,000 members including 30,000 Croats who lived abroad and were blessed with ample funds.¹⁰⁾ Because of the new multi-party system and the fact that Croatian nationalist feelings which had been suppressed since the end of the 'Croatian Spring' in 1971, nationalistic fervor took root. Croats were afraid of Serbia's leadership under Milosevic who was fanning the flames of nationalism. Likewise, Tadjman began advocating Croatian nationalism which appealed to peoples' hearts in Croatia.¹¹⁾ Communists in Croatia, however, insisted upon maintaining the Yugoslav Federation. Since this policy sounded like Serbia's opinion, communists were placed in a disadvantageous position in the election and suffered a crushing defeat. The appearance of the CDC government in turn became a new menace to Serbs in Croatia.

The reason why Serbia was so eager to maintain the Federation consisted of the fact that Serbs were dispersed throughout Yugoslavia, especially in Croatia and Bosnia-Herzegovina. About 600,000 Serbs lived in Croatia. They were the descendants of farmer-soldiers whom the Austro-Hungarian Empire used at its borders as a defence against Ottoman Turkey. Croats and Serbs speak the same language. The only difference which distinguishes these two nationalities is religion, although the younger generation is not so deeply religious. In everyday life they have worked together and associated with each other without being conscious of a difference in nationality. However, beginning with the election campaign in Spring of 1990 the atmosphere in Croatia drastically changed. The Tadjman government published policies similar to Matica Hrvatska's policies of 20 years earlier and did not refer to the protection of ethnic minorities' rights and cultures. While the Croatian constitution which

was adopted in 1974 made reference to Croatia as a republic of Croats and Serbs, the Tadjman government refused to consider autonomy for the Serbian minority and declared Croatia a state of the Croatian people in a new constitution which was adopted in December 1990. The crest which the "Independent State of Croatia" had used was again adopted for the national flag. Many Serbs experienced harassment at their workplaces, which included dismissals, threatening telephone calls, etc.¹²⁾ These actions reminded Serbs in Croatia of the massacre of Serbs by the "Ustasa" during World War II and such memories began to haunt them. Serbs were pursued by uneasiness about their future. In opposition to the CDC government's measures, Serbs in Croatia declared the establishment of the "Autonomous District of Krajina".

Serbs in Serbia proper became concerned about the protection of the Serbian minority in Croatia. It is a major contradiction that Milosevic, who is concerned about protection of Serbs outside Serbia proper, pays no attention to the rights of Albanians in Kosovo and has oppressed that minority. It was natural that both Slovenia and Croatia reacted strongly against Milosevic's policy. But he was the most reliable politician in the eyes of Serbs who lived outside the Republic of Serbs. At the beginning of 1990, Jovan Raskovic, President of a party called the Serbian Democratic Party which was struggling to protect the rights of Serbs who lived outside the Republic of Serbia (quite different from the "Democratic Party" in the Republic of Serbia) said as follows:

Serbia has achieved a historical victory with Slobodan Milosevic. First of all, Milosevic overturned Titoism within the Serbian Party demolishing Titio's famous vassals. He exhibited skill, resolute will and courage and made use of Party and Presidency of the defeated Titoism--among others the Central Committee of the LCY, Federal Assembly, Presidency of the Federation and certain part of Army--in order to establish Serbia as an equal political component in Yugoslavia.¹³⁾

No doubt, such feelings contributed to Milosevic's overwhelming victory in the free presidential election in December 1990. In Serbia, the Socialist Party of

Serbia which was created by a merger of the LCS and its popular organization, the Socialist Alliance of Working People, won the election in December. This party is "a Serbian nationalistic party which has not abandoned its socialist characteristics yet".¹⁴⁾ As a result of the free election in 1990, nationalistic parties gained power in every republic. In this way, the difference in goals which each republic aimed at became too disparate.

With the passage of nearly 50 years since World War II, which was a unifying experience for the nationalities of Yugoslavia who fought for the liberation of their country, international environments have drastically changed. For example, the Yalta regime had collapsed and the menace of the Soviet Union had disappeared. The EC was pursuing a further integration. The two northern Republic of Yugoslavia became anxious to join the stream of integration in Western Europe. It seemed that the multi-national state of Yugoslavia needed a new framework. Summit talks by the top leaders of the Republics were held several times beginning in January 1991 concerning the future form of the Yugoslav state. Slovenia and Croatia advocated separation and independence or to form a Confederation. Serbia advocated maintenance of the Federation. Their positions would not converge. The greatest common problem with the two positions was a Confederations. One possible solution would have been for both sides to find a point of compromise on the Confederation and reconstruct their country in this new framework. However, Milosevic persisted in advocating for the Federation too long and would not concede. When top leaders of the Republics reached an agreement that they would continue negotiations for a political solution on the basis of "union of sovereign states" on June 6, it seemed that the prospect for a solution could be dimly glimpsed. But on June 25, both Slovenia and Croatia announced their declarations of independence. Slovenia immediately established her own border check points and customhouses. The Yugoslav People's Army took field to prevent these measures and came into a state of war with the Slovenian defence corps. Thus began the process of disintegration of the Socialist Federal Republic of Yugoslavia.

III. Is the Principle of National Self-determination A Panacea?

Since then, the EC has often intervened in the affairs in Yugoslavia. If the EC had mediated between the two northern republics and Serbia it should have done so in order to persuade each Republic to agree on the Confederation with guarantees of protection for ethnic minorities. Since Hitler supported the Croatian fascist group "Ustasa" and perpetrated a disaster upon nationalities during World War II, Germany especially should have taken the most prudent attitude regarding the problem of Yugoslavia with due regard for the historical considerations. Among EC countries, however, Germany, which has economic interests in northern parts of Yugoslavia, took the initiative in the international recognition of Slovenia and Croatia in spite of the prudent attitude of France and other countries. "Hans-Dietrich Genscher, foreign minister, who thought that the reunification of Germany was a result of 'the right of national self-determination', insisted that Germany's special task was to support 'the right of national self-determination' for other countries too."¹⁵⁾ In like manner, Germany applied this principle to the multi-national state of Yugoslavia. This policy proved too simple and too naive.¹⁶⁾

Since Slovenia is situated in the northernmost part of Yugoslavia and is bordered by West European countries and does not have a serious nationalities problem she could become independent with minimum sacrifice.¹⁷⁾ In the case of Croatia, the problem is not so simple. As was mentioned, about 600,000 Serbs live in Croatia mainly in the Krajina and Slavonia districts. In order to counteract discrimination and harassment by the CDC government, Serbs in Croatia declared the establishment of the "Autonomous District of Krajina". Croats who lived in this Autonomous District in turn became an ethnic minority and they were pursued by uneasiness about their future. Here is the "matryoshka" (Russian nested dolls) structure of the nationalities problem. From August 1991 Croatia became the focus of battles.¹⁸⁾ The civil war in Croatia, which took the shape of a war of the Croatian Army vs. the Yugoslav People's Army plus Serbian

militia, continued. Nevertheless, on December 23, 1991, Germany recognized not only Slovenia but also Croatia as independent states. On January 15 of the following year other EC countries followed suit. This premature international recognition of these two nations as independent states without regard to the circumstances aggravated the nationalities conflicts.

Here I would like to quote the view of Kayoko Yamasaki a Japanese lady living in Belgrade. From July to December 1991, she met many refugees from Croatia and compiled their testimonies into a book and translated it into Japanese. After hearing accounts by a refugee family from Glina in Croatia, she felt that their testimonies were quite different from the information provided by Croatia and by Serbia in the following two way. She wrote as follows:

First of all, their accounts did not include as many atrocious stories as television was stressing. However, there was violence by words. There were psychological pressures organized by the state. Therefore, they were obliged to abandon their beloved native places. Mass communications report these events as conflicts between Croats and Serbs. I cannot keep from feeling that this is not so much a national problem as a problem of human rights. Secondly, until the last moment these people had maintained human contacts with friends and neighbors regardless of national affiliations. There is no "deep-seated grudge" that is often mentioned. These people thought that human relations were suddenly separated by politics and that it was intellectuals who were responsible for instigation of this nationalism.¹⁹⁾

The situation was almost the same in the Republic of Bosnia-Herzegovina. In Bosnia-Herzegovina Muslims, Serbs and Croats lived in a symbiotic relationship. The nationality which had the largest population was Muslims(43.7%) followed by Serbs(33%) and Croats(17.3%). These three nations have lived not in a segregated condition but in an intermingled condition for long time. Even within a village these three nationalities have lived shoulder to shoulder.²⁰⁾ In Bosnia-Herzegovina the period of peaceful coexistence has been much longer

than the period of disputes. The consciousness that one belongs to the region Bosnia-Herzegovina ("Mi smo bosanci") is the precondition of living there for the three nationalities. Until the end of 1991, Bosnia-Herzegovina was quite calm. By that time, however, the disintegration of the Yugoslav Federation had become an undisputed fact given the fierce civil war in Croatia. Movements for separation and independence appeared in both Bosnia-Herzegovina and Macedonia who both had taken the position that the Federation should be maintained. This caused a crack in the coalition government which was composed of a Muslims' Party, Serbs' Party and Croats' Party. Serbs persisted in their opposition to the separation and the independence of Bosnia-Herzegovina and became confronted with Muslims and Croats. The EC requested that the leadership of Bosnia-Herzegovina conduct a plebiscite as a precondition to recognition of their independence. On February 29, 1992, the leadership of Bosnia-Herzegovina enforced the plebiscite on independence in spite of opposition from Serbs. In utter disregard of a Serbian boycott the government of Bosnia-Herzegovina decided to declare independence on the grounds that 60% of the total eligible voters supported it. The EC, which was pressed by Germany, recognized Bosnia-Herzegovina as an independent state on April 6. This added fuel to the civil war in Bosnia-Herzegovina. Armed groups of each nationality led by extreme nationalists began to fight for wider spheres of influence. The so-called "ethnic cleansing" occurred in this process. The biggest victims in Bosnia-Herzegovina were Muslims. The world public is pained by the news about Serbian death camps and the systematic rape of Muslim women. Among others, Serbian leaders should be blamed. However, the problem is not so simple. Such inhuman deeds were also more or less conducted in Muslim-ruled territory and Croat-ruled territory. Nationality conflicts in Yugoslavia were caused not only by the fact that the Federation of Yugoslavia had collapsed from within but also by the fact that the international community had accelerated this process from without.

Neither the Vance Owen proposal nor the plan to partition the territory into

three parts will bring a fundamental solution because they do not take into due consideration the history of and the actual situation in Bosnia-Herzegovina where three nationalities live in an intermingled condition. Since many people have been killed and wounded and so many families have been deprived of their places to live by the civil war, it seems very unlikely that these three nationalities can live together. But no matter how difficult it seems there will be no other way than to live together. I agree with Nobuhiro Shiba who advocates the idea of "regional self-determination" instead of the principle of national self-determination.^{21) 22)} The episode in which a Serb and a Muslim couple who tried to escape to Belgrade but were shot by somebody on a bridge and died, their bodies tightly locked in each other's arms, and their corpses left unburied for 5 days, symbolizes the tragedy in Bosnia-Herzegovina.²³⁾

Notes

- 1) There are various opinions about the number of victims during World War II. According to Nobuhiro Shiba, a high official of Nazi Germany said that 750,000 Serbs were killed in the "Independent State of Croatia" but the President of Croatia, Franjo Tudjman, estimates the number of Serbian victims at 20,000-30,000. A recent study tells us that the number of Serbs who were killed amounted to 334,000. Chetniks countered Ustasa with violence and repeated attacks on Croats and Muslims. The numbers of Croats and Muslims who were killed in the whole of Yugoslavia are estimated at 207,000 and 86,000 respectively. Nobuhiro Shiba, *Yugosurabia de naniga okiteiruka*[*What is Happening in Yugoslavia*], (Tokyo: Iwanami Shoten, 1993), pp.16-17.
- 2) Dusan Bilandzic, "History of Current Dimensions of Inter-nationality Relations in Yugoslavia", *Collection of Reports at the Conference Socialism in Yugoslav Theory and Practice*.(Belgrade, 1979), p.137.
- 3) Masayuki Iwata(ed.), *Soren Too Keizaijiyo Tayona Shakaishugi*[*Economic*

Circumstances in the Soviet Union and East: Diversified Socialism], (Tokyo: Yuhikaku, 1983), p.280.

- 4) Of course, it cannot be denied that several disputes occurred. But they did not take the shape of a civil war. Nationalities in the former Yugoslavia have lived a comparatively peaceful life together.
- 5) Dennison Rusinow, *The Yugoslav Experiment 1948-1974*, (Berkeley & Los Angeles: University of California Press, 1977, pp.284-285.
- 6) On the cause of the economic crisis in Yugoslavia see Yoji Koyama, Chapter 3 "Keizai Kiki no Jisso[Actual Situations of the Economic Crisis]" in Yoji Koyama, et al., *Yugo Shakaishugi no Jitsuzo[Real Image of Yugoslav Socialism]*, (Tokyo: Liberta Shuppan, 1990), and Nozobu Abe, *Yugo Keizai no Kiki to Hokai[Crisis and Collapse of the Yugoslav Economic System]*(Tokyo: Nihonhyoronsha, 1993).
- 7) The Union of the Independent Trade Union of Kosovo, "Report on the General Economic and Social Situation after Application of Repressive Measures in Kosovian Companies and Institutions by the Serbian Authorities"(Typescript), May 1991.
- 8) Cf. Yoji Koyama, "Fukusu Seitosei eno Iko to 1990 Nenno Senkyo Kekka Yugosurabia no baai[Transition to the Multi Party System and the Results of Elections in 1990: the Case of Yugoslavia]", *Niigata daigaku keizagaku ronshu[Annals of Economics of Niigata University]*, No.17, (1993).
- 9) Danica Fink-Hafner, "Pluralization as Factor and as Result of Political Modernization in Slovenia in the 1980s and at the Beginning of 1990s,(Typescript)(1991).
- 10) *NIN*, Br.2044, 4 March(1990), str.13-15.
- 11) In April 1991 in Belgrade I met and discussed with Koviljka Romanic, who was once President of the Belgrade City Committee of the Socialist Alliance and a member of the Federal Assembly and was later forced to retire early. She was very critical of Milosevic. She told me, "Milosevic is, in fact, assisting Tudjman".
- 12) Kayoko Yamasaki, *Kaitai Yugosurabia[Disintegrated Yugoslavia]*,(Tokyo:

Asahi Shinbunsha, 1993), p.22.

13) *NIN*, Br.2084, Dec. 6 (1990), str.13.

14) Koviljka Romanic, "Izbori 1990 Godine", *Pravni Zivot* 1-2/91, Vol.41, Udruzenije Pravnika Srbije, Beograd, str.114.

15) *Asahi Shinbun*, 11 Jan.(1992)

16) I listened to the interesting discussions at the symposium "Why Nations Now?: Reconstructing Regions and Culture" held on July 17 in Tokyo. According to Masayuki Yamauchi, who made the keynote speech at the symposium, the rehabilitation of nations and re-establishment of the states began proceeding after the end of the Cold War. Out of 183 member countries of the UN, 22 countries have joined within the past year. It is predicted that the total number of independent states will amount to 300 in the 21st century. If the number of states will grow at this rate what will become of the world? It is said that the number of ethnic groups in Africa amounts to approximately 900 and in India it amounts to 33. The idea of national self-determination, which was blessed at the time of President Woodrow Wilson, results in confusion in the present world situation. In order to put an end to confusion and conflict, Yamauchi stressed the concept of multi-culturalism and basic human rights instead of national self-determination. I completely agree with his opinion.

17) Although Slovenian industries were at an advantage in the former Yugoslav markets they have no competitive power in western markets. It seems that Slovenian industries still need the markets of former Yugoslavia. A prominent Slovenian economist whom I met in April 1991 was skeptical about the independence of Slovenia from an economic point of view.

18) Kayoko Yamasaki referred to Serbia's defeat in the international propaganda in these terms: In the former Yugoslavia there was only one international TV relay broadcasting center and it was located in Zagreb in the Republic of Croatia. At the initial stage of the civil war Serbia could not send a single news story to the rest of the world. It is not until three months later that the Serbian broadcasting system contracted with a foreign relay station and could

send news directly to the external world. Meanwhile, international public opinion already had strong anti-Serbia leanings. Kayoko Yamasaki, *op.cit.*, p.32. Shiba points out same problem. Nobuhiro Shiba, *Yugosurabia de Naniga Okiteiruka*, p.59.

19) Yamasaki, *op.cit.*, pp.4-5.

20) Cf. Shosaku Tokunaga & Nobuhiro Shiba (Dialogue), "Yomigaetta 'minzoku shugi' no bore 'Yugosurabia naisen' no shinso wo bunsekisuru (Recalled Ghost of 'Nationalism' : Analyzing the depths of the 'the civil war in Yugoslavia)'" , *Kohken*, Vol.31, No.4, 1993, p.31.

21) Shiba, *op.cit.*, pp.60-61. In the description of Bosnia-Herzegovina I am indebted to this book.

22) Maybe I am too optimistic in what I say about the idea of regional self-determination. Unfortunately I have no concrete proposals. I admit that it is a weakpoint in my argument. There may be a natural question of why some nationalities can live together only after they have killed each other. I have only the answer that the history of Yugoslavia is a history of repeated conflicts and peace. Even after experiencing the fratricides during World War II the nationalities in Yugoslavia continued to live together. In the hope that readers will understand how people in Yugoslavia think, I would like to quote the testimonies of two Serbian ladies. A Belgrade University student who came from Knin in the Krajina district of Croatia said, "As to the 'liberation' of Knin, it is surely impossible. It would be absolutely impossible to annex it to Serbia. Knin belongs to Croatia in all respects. Historically speaking, of course, this is a region where many Serbs have lived, but it has never belonged Serbia. It cannot be helped. I think, it is impossible to secede from Croatia. For natives there is no way other than to live together. For Knin there is no way other than to stay in Croatia. Even after this atrocious war we have no other way but to live together."(Yamasaki, *op.cit.*, p.114.) A nurse who fled from a village near Knin and is working in

Belgrade said, "For both Croats and Serbs there is no other way than to live together. Even after this combat there is no way for villagers other than to live together on the same land except, of course, those persons who have died. I do not think, however, everything is going to be quite the same as before."(Ibid., p.122.)

23) NHK TV news, May 25th 1993.

C o n c l u s i o n

The Socialist Federal Republic of Yugoslavia does no longer exist. This multi-national state has broken up, resulting in atrocious national conflicts. The 40 years' experiment of workers' self-management in Socialism had ended along with the collapse of the regime of the 1974 Constitution. On the basis of this precious experience I would like to confirm several points.

Firstly, I think that the regime of the 1974 Constitution was based on an excessive optimism that if ordinary workers participate in management everything will go well. The regime resulted in a serious economic crisis. This reminds me of Andras Hegedös' opinion. This Hungarian sociologist, who had been Prime minister of his country in 1955-56, published a book entitled *Socialism and Bureaucracy*. According to him, unless a society abandons economic development and economic efficiency it necessarily needs professional governing groups which possess a competence in executive decision-making. The main road to democratic development is an autonomous democratic control over them by working people.¹⁾ I think that his opinion deserves our attention.

Secondly, I think that in spite of the failure in the former Yugoslavia the idea of decentralization is still valid. The decentralization is necessary at the level of both enterprises and the state in order to bring out the initiative and energy of workers and citizens. Unfortunately, however, in the case of the regime of the 1974 Constitution in the former Yugoslavia there was a lack of sufficient compensatory power in the center.

Thirdly, a Slovenian economist Joze Mencinger who supported market

socialism, called the regime of the 1974 Constitution "counter-reform".²⁾ The development of a market economy necessarily requires a multi-party system which reflects diversified interests. But this system could not be established under Tito's reign.

Fourthly, the decentralized regime of self-management socialism had been sustained by the LCY which all along had bound many nationalities into a country by mobilizing the masses. As long as the LCY could preserve its prestige the regime was on safe ground. But the LCY gradually lost its prestige among people as the economic crisis deepened. Additionally the system transformation, which began in the late 1980s, had brought a breakup of the multi-national state and tragic national conflicts. In the system transformation Yugoslavia as well as Poland adopted "shock methods" almost at the same time. In the case of Poland, as people are nationally homogeneous and religiously united around the Catholic church as a center they could endure the "shock method". In contrast to it, in the case of the multi-national state, Yugoslavia, the "shock method" have accelerated national conflicts.

- 1) Andras Hegedős, *Socialism and Bureaucracy*, Japanese version (translated by Kimio Hiraizumi), Otsuki Shoten, Tokyo, 1980, pp.19-22.
- 2) Joze Mencinger, "The Crisis and the Reform of the Yugoslav System in the Eighties", in Peter Gey, Jiri Kosta and Wolfgang Quaisser, *Crisis and Reform in Socialist Economies*, Westview Press, Boulder and London, 1987, p.107.

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Yoji Koyama

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