

# LABOR CENTER REPORTER

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MAR 12 1984

UNIVERSITY OF CALIFORNIA  
BERKELEY

Number 106)  
November 1983

## REFORMED SOCIALISM IN YUGOSLAVIA

by Chris Martin

(Ed. Note: The author of this article is a graduate student at U.C. Berkeley who has frequently written for LCR, and who recently returned from a study project in Yugoslavia. His interpretation of the development of economic policy there is particularly relevant to the current issue of "industrial policy" in the U.S., a subject also discussed in LCR 105.)

People in the U.S. usually have in mind a dismal picture of Eastern Europe and socialism--an image of drab and dingy streets filled with depressed and repressed people who are constantly plagued by shortages and spied upon. Some countries have, however, managed to overcome the uniformly dreary Stalinism which was inspired and cultivated by the Soviet Union after the Second World War. Yugoslavia, Hungary, and now China have all tried different reforms of the social and economic systems which they inherited from the Soviet experiences of the 1930s and 1940s. Their successes and problems can give us a broader view of the possibilities of socialism than the narrower, more orthodox development of the Soviet Union.

**A Little History.** The Yugoslav political and economic system, officially known as "self-managed socialism," began more by accident than as a result of either ideology or conscious planning. During the Second World War, the Yugoslav communist party under the leadership of Josip Broz, "Tito," created and sustained a resistance movement which inflicted significant damage on the German and Italian invaders, and even held some areas of the country as liberated territory. While other movements continued to identify themselves with various internal national groups whose bloody feuds had all but torn the country apart before the war, the communists were militantly Yugoslav. They did not unify the nation on a sentimental basis; instead they created the practical bonds needed to resist the fascists, and they enjoyed popular support at the end of the war for this reason, rather than for Stalinist policies.

Tito's independence and his popularity with his own people was probably regarded by Stalin as a threat to his own domination of a then monolithic communist movement. Very soon after the war, at any rate, Stalin attempted to establish his own preeminent position in Yugoslavia. In 1949, the Yugoslav communists found themselves cut off from all international communist aid, trade and ideological exchange. "Self-managed socialism" was born of this challenge to national survival, as well as some extensive reading of Marx's earlier utopian writings. In part it was also a response to continuing, divisive national rivalries, which made central planning difficult. Because the communists saw that they would have to depend on western aid and trade, a strong dose of Adam Smith was added to the mixture. Time has shown this mixture of ideas to be troublesome and somewhat unbalanced, but also fairly durable.

**Self-Management: Ideas and Practice.** As in all socialist countries, the workers in Yugoslavia are the titular owners of the nation's resources. In most socialist countries the party and planning office make economic and social decisions in the name of the workers. In Yugoslavia these decisions must originate, at least formally, in various smaller bodies which are elected by workers and citizens as their direct representatives. Workers' councils in factories and precinct councils in cities must vote on all questions which touch their constituents, even indirectly. This principle, derived from the Paris Commune and the early Russian Soviets, has remained unchanged through all of the various "reforms" of self-management. At worst it is "a good way to keep people happy in a one-party state," to quote a prominent Yugoslav who was speaking off the record. At best it gives significant room for local control and initiative. Self-managed editorial boards in the press routinely publish materials more critical of domestic policies than any I have seen in the mainstream U.S. press in the past few years. Until the recent crisis in the repayment of foreign debts, workers' councils have had a great deal of influence over pay, investment, and price policy. The party still retains its "leading role," but unlike other communist parties it must cajole and threaten rather than command.

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Direct decision making, at least in form, has been a constant of Yugoslav theory and practice. More variable has been the system of national economic coordination. Various combinations of planning and market competition have been tried and it seems that no good blend of the two elements has been found. Market forces which predominated in the late 1960s left some parts of the country much better off, and gave some workers in certain factories far higher incomes than others. The market was blamed for these inequities, although they were often caused by the fact that workers in certain groups had the use of more modern factories, which had been built at everyone's expense during the period of central planning. Certain price controls remained in effect and these too were a cause of inequity.

Reforms intended to solve these problems introduced more local participation in national planning. Workers' councils and local governments sent delegates to county bodies, which sent delegates to republic bodies, which sent delegates to groups which finally made decisions for the entire nation. In those bodies, which represented larger and larger groups, the scope and significance of the decisions increased, while the influence of workers' councils, local governments and market competition all decreased. Decisions in the factories are now controlled by county or regional councils for income and investment planning and similar economic policies. Housing and the supply and prices of goods are controlled by city and county bodies. But these bodies are fairly distant from the workers in the factories and the voters in the precincts. As we have seen in some of our own cities and some of our own unions, it is easy for a "machine" to assume power in these circumstances. This is now the case in Yugoslavia where a part of the communist party has managed to monopolize most important positions and rule the nation.

**Problems and Reform.** The more "planned" economic and social system expected from the reforms of the 1970s has not resulted in significant benefits. Economic inequities persist and may have increased as certain groups of workers and local governments have used the political planning mechanisms to get larger allocations of investment funds and more protection from foreign and Yugoslav competitors. In some industries investment efficiency even seems to be negative. Some new equipment and plants are a total loss to society. Old national problems are reviving and trade between regions within the country has almost ceased. These problems are compounded by the excessive burden of foreign debts. If anything, the extension of the 1970s form of self-management to almost all economic decisions has made the Yugoslav economy less effective in satisfying the needs of workers or the demands of the world economy.

The prospects for a national reform movement are limited. First, the basic foundations for such reform, the common culture and religion of a "solidarity," are lacking. Yugoslavs would have not one but eight national union movements, one for Serbs, one for Croats, one for Albanians, and so on. But as most Yugoslavs realize, national disunity would be suicidal. Eight separate nations could neither prosper nor remain independent.

Nor do workers feel a strong need to organize on a national basis. Those who are employed can best improve their economic lot by improving the position of their factory. Through their workers' council and, more often through their managers, they can try to get more investment funds, better prices and relief from foreign and domestic competition. If they do not get what they want they may even strike, with or against management, by slowing deliveries or simply walking off the job. Some factories and groups of workers win in this bargaining process, and some lose. Ultimately the professional politicians who control investment funds, pricing and competition can distribute goods to maintain their power over economic and political life. History has shown that these goals are incompatible with increasing or even maintaining the national wealth.

Any effective national reform would have to allow for the divisive consequences of fraternal feelings among Yugoslavs, and also for the unfavorable political and economic consequences of bargaining under the current system. National animosities can only be laid to rest if distribution is perceived as "fair" by all nationalities. This perception can only be cultivated by the development and use of more "objective" criteria for evaluating social usefulness. The power of the professional politicians is only natural in a system where they have at their disposal ample supplies of funds and privileges to distribute to their friends.

-- Chris Martin

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