"The lack of direction hurts even more than deprivation itself"

YUGOSLAVIA AT THE EDGE

by Sharon Zukin

Since the beginning of the 1980s, Yugoslavia has been so hard hit by economic crisis that the modern inflationary syndrome has overwhelmed both the triumphs and the pitfalls of its political system. The founder and preeminent leader of the country’s socialist regime, Josip Broz Tito, died at the age of eighty-six in May, 1980, just as the effects of worldwide recession and the second oil crisis were reaching a climax. After thirty-five years of leadership, Tito left his multiethnic nation of nations with the superb sense of timing for which he was known. He also left 22 million Yugoslavs—including a million unemployed and a million working outside the country—with rapidly mounting debts to the International Monetary Fund and multinational private banks; dramatic shortages of imported fuel and raw materials; a fiscal crisis caused by overexpansion of state budgets on every level; and the tendency among political leaders of the six semiautonomous Yugoslav republics and two “autonomous” regions to compete among themselves for costly and capital-intensive new investment projects.

During Tito’s lifetime the effects of a weak economic structure were masked by a rapid rate of growth. An expanding urban-industrial base extended into the peasant society, and the country enjoyed a comparative advantage over other countries in producing new goods for domestic consumption and low-value-added products for world markets. Economic policy was enforced by strong political authorities, whose charisma, like Tito’s, derived from their participation in the Partisan movement of World War II.

For this generation—as well as its immediate successors (men and women now in their fifties)—charisma also carried over to leadership positions in the major political institutions. The Communist party (called, since 1958, the League of Communists), the labor unions, the Federal Executive Council (the cabinet), and the legislative assembly, or Skupstina, operated according to a vague but stable division of labor under well-known leaders. Overwhelming as was Tito’s strength of character, their own power seemed also to flow from personal attributes. But as the Partisan generation began to age and die off, surviving members reached a hard decision: They would strengthen institutional mechanisms to mitigate against personal power.

Under the intellectual guidance of Tito’s long-time associate and advisor Edvard Kardelj, who died in 1979, the politicians changed the ground rules for gaining office, exercising authority, and developing a leadership style. To make these ground rules law, they also changed the Constitution. Thus, since 1974, grass roots voters have elected “delegations,” which in turn elect increasingly smaller and superior delegations, in all political and governmental organs. This pyramid of delegation upon delegation culminates in the selection of “executive committees,” which really do the important work. Executive committees, however, assume a collective role, speaking with one voice rather than with a variety of possibly conflicting individual voices. A complicated voting procedure by blocs and the strict avoidance of proportional representation was thought to assure a decision-making process anchored in compromise. This was particularly important to the relatively small ethnic groups of both the richer and the poorer republics. Two additional measures attempted to combat deal-making among special interests and the entrenchment of leaders for unlimited terms: First, a “blue-collar” majority was mandated for all the elected assemblies; second, all elected officials are now subject to compulsory rotation among the various institutions. At roughly the same time, changes in the business and labor codes were enacted—in the form of a Law on Associated Labor passed in 1976—leading to further decentralization of economic institutions.

Though open debate and vigorous political competition were jettisoned, the politicians who instituted these changes thought they were opting for stability. They would save their personal positions by a selective rotation among top offices in various institutions, and they would stave off the interethnic Balkan strife that periodically erupts in bloodshed. However, the nature of their collective compromise induced or reinforced political conformity. Today, individual leaders neither stand out nor bear responsibility for their decisions. The worst aspect of this system is that it has made most Yugoslavs feel alone in an increasingly hostile environment. A faceless group of office-holders claims the nation’s loyalty without demonstrating any capacity for outstanding strategic leadership.

Among a population already suffering the collective insecurity bred by inflation, the absence of effective or in-
spiring leadership is deeply felt. For the first time in recent history Yugoslavs complain of a loss of perspective. In a country capable of sustained self-sacrifice, the lack of direction—of realistic goals—hurts even more than deprivation itself. Burdens can be shouldered and sacrifices shared, Yugoslavs say, if there is a plan. They are searching for signs of decisive movement in a political economy that has forever straddled socialism and "the market," East and West, without resolving basic issues of production and distribution.

"WHERE DID WE GO WRONG?"

The loss of collective identity, which was becoming palpable even before Tito's death, has turned into an audible question that is on everyone's lips. "Where did we go wrong?" a leading economist asked at a recent roundtable in Belgrade. The Yugoslav perennial "What is self-management?" has yielded to the pointed "What can self-management do about the economic crisis?"

Neither workers' self-management nor market socialism—the linchpins of Yugoslavia's postwar economic innovation—has been capable of planning, coordinating, or rationalizing a response to the current crisis. Though many people criticize the state for continued, overbearing intervention in the economy, the government has been unable to devise an austerity policy that Yugoslavs perceive as both rational and fair. As in capitalist economies, businesses chase at price controls and decry the export subsidies granted their competitors. But there are also problems of inconsistency in policy implementation. Pressed by the monetary policies endorsed by the IMF, the government has several times announced that prices will be free to seek market level. But the government has also taken steps to rescind decontrol when public and private pressures mount.

Moreover, basic problems of hidden unemployment and waste are as common as in the highly centralized socialist economies. At least since the 1982 report of the high-level Kraiger Commission on the economy, Yugoslavs have talked about closing down unprofitable companies and firing redundant workers as a key to economic stabilization. Such proposals really date back to the market-oriented economic "reforms" of 1965. In practice, however, shutdowns and massive layoffs are still in the realm of the unthinkable.

Only a small percentage of firms operate very well or very badly. The vast majority simply muddle through by means of operating subsidies granted by the state or state-imposed loans from other firms. This has become the standard defense against shutdown and merger. It is also in keeping with an ideology of solidarity and with many politicians' idea of patronage. Yet the worsening situation in four major areas—investment, foreign trade, business income, and employment—prompts the fear that what has brought the economy to a standstill is the very fact of having kept plants open and workers at their jobs even when there is a lack of electrical energy or raw materials for standard production runs. Despite such conditions, workers in some industries have changed their work habits and accomplished great feats. However, their success is swallowed up by Yugoslavia's voracious rate of inflation.

Between the first quarter of 1983 and the first quarter of 1984, according to the official index, the inflation rate rose from 31 to 58 per cent. Wages increase each year, but they fail by at least 10 per cent to keep pace with the rise in the cost of living. Since the mid-1970s this shortfall in personal income has been accompanied by cutbacks in employers' contributions to social security and fringe benefits, including housing construction or allowances, hot meals, and vacation pay. Local governments have also cut capital expenditures to the bone, curtailing maintenance and construction of streets, sewage lines, transportation facilities, and all public buildings. Social service budgets have been reduced, affecting schools and cultural activities in the neighborhoods.

Business conditions are equally bad. Last year employment grew and productivity fell—both by 2 per cent. Not surprisingly, debt-related payments are the fastest-growing area of business expenditures. Soaring interest rates cause them to double or nearly double every year. This, together with the annual doubling of energy costs, small increases in production, and inflation-driven increases in sales, has hobbled business investment. Consequently, it is impossible for most firms to meet international competition, especially the combination of cheap labor and automated production typical of textile and capital-goods producers in the Far East. At the same time, product quality in many areas has declined.

Faced with shrinking orders both from abroad and at home, Yugoslav industries have concentrated their sales efforts on the Soviet Union, the Middle East, and sub-Saharan Africa. Dependence on trade with the Soviet Union worries Yugoslavs, although it brings needed sales. Yugoslav telecommunications equipment (produced under license from the Swedish company Eriksson) is regularly used in Soviet cities. Yugoslav construction crews found steady work in the Middle East until the outbreak of war between Iraq, their client, and neighboring Iran.

Nevertheless, no Yugoslav industry is developing the kind of high-value-added or advanced-technology production that the economy requires. Though exports have risen for the steel and copper industries, oil refining, and rubber products, worldwide oversupply in these sectors has lowered market prices. More worrisome still is the decreased demand for Yugoslavia's manufactured goods. Exports have declined in the crucial sectors of metalworking, transportation equipment, electrical equipment, and chemical products. Worst of all, a growing share of Yugoslavia's foreign trade is a barter trade. As a result, Yugoslavs wonder whether the country is regressing to a more primitive form of economic exchange.

Certainly the decline in living standards causes widespread fear of backsliding. When energy restrictions shut down all electrically run facilities for six hours every other day last winter, many urban Yugoslavs shivered without their central heating and had to renounce elevator service for the stairs. Energy cutbacks further deepened the impression that the standard of living was a more fragile thing than anyone had imagined.

A decrease in purchasing power has caused the standard of living to drop to levels of fifteen or twenty years ago. Next year's inflation, which has been conservatively projected at 30 per cent, promises to erode income even further. Low-income groups such as unskilled and semiskilled workers are described as living "on the edge." Over the past two years, middle-class families of professionals, pro-
fessors, and college-educated white-collar workers have also watched their incomes shrink. Their wages, which might amount to $250 a month, no longer cover the little luxuries of travel, restaurant lunches, and the imported consumer goods that filled their lives and homes after the mid-'60s. Though both parents work, such families spend all their income on food and housing, and many are now supporting their college-educated children.

AN ETHNIC GEOGRAPHY

The decline in living standard defies the notion of Yugoslavia as an urban socialist society with a consumer-oriented economy, an interpretation that gained currency in the 1970s. Indeed, a market research firm in Zagreb recently found that only a third of the population had ever traveled outside the country. Half of these travelers came from the economically advanced republic of Slovenia near the Austrian border and another third from Croatia, the western republic whose economy is based on manufacturing and tourism. This suggests that deep within the country many Yugoslavs of minority origin (Muslims in Bosnia, Albanians in Kosovo, Macedonians and even rural populations in Serbia, Croatia, and Slovenia) have been untouched by experience beyond Yugoslav borders. In Yugoslavia, then, there are really two worlds of consumption.

Overall, however, it is the Slovenes who are weathering the crisis better than people of the other republics. Unemployment has always been so low in Slovenia that it has attracted workers from other parts of the country, especially the underdeveloped republics of Bosnia and Macedonia. Consequently, Slovenia has had its own acculturation problem. A highly homogeneous, “Western” population has had to accept a migrant presence—largely male, speaking different languages, practicing different religions—to fill jobs for unskilled labor. Wages are highest in Slovenia. Though customarily wage differences among the republics will vary by only 10 per cent above or below the national average (at the low end is Kosovo, the largely Albanian autonomous region at the southern tip of Serbia), the gap between standards of living has widened over the past year.

Ironically, the social group best equipped to deal with inflation is the “peasant-workers,” who supplement factory wages with income and food from the family farm. Privately owned land is still restricted by law to a maximum of some twenty acres, and the government is unwilling or chronically unable to help peasant farmers invest in farm machinery. Nor have distribution networks been set up to get all farm produce to food processors or to market. Nonetheless, the typical urban family with an apartment in Belgrade, Zagreb, or a smaller industrial town like Cačak or Banja Luka has reason to envy a neighbor who still has relatives back in “the village.” By providing fresh meat, fruits, and vegetables, the farm relatives help cut the urban family’s grocery bills. They also help to overcome the sporadic shortages at the butcher shop or the supermarket.

Peasant-workers have made up a third to a half of the industrial work force in Yugoslavia for a number of years, giving rise to the factory director’s nightmare about high rates of absenteeism during harvests and his exertions at factory discipline the rest of the year. But the economic crisis has reinforced reliance on the extended family—particularly the farm family—for food and housing. This is yet another indication to Yugoslavs that they are sliding back to their preindustrial past.

The consensus is that only a dramatic overhaul of both economic structures and political institutions can push Yugoslavia back into the international mainstream. But ideological differences and divergent self-interests delay the day of decision. For the past fifteen years economists have been counseling less interference by government and politicians as a way to improve productivity and restore popular confidence. Many also recommend that the country shed its “Soviet-style” preference for capital-intensive investment and move toward a lighter industrial base, a reward system for entrepreneurs in advanced technology, and greater reliance on agricultural production. They would also restore the authority that industrial managers lost during the Kardeljian reforms of the 1970s.

The politicians, as usual, are looking for a political resolution of economic problems. They are searching for new governmental institutions, new scapegoats, and new slogans to “strengthen self-management.” But it is difficult to see how this corresponds to workers’ needs. The major complaint of the average Yugoslav concerns the housing shortage. Though all work units are mandated by law to make contributions to a company housing fund, most do not have the money to keep pace with rising housing costs. The IMF, in a widely cited but never published letter to the Yugoslav Government, has demanded that housing prices rise to “economic” or market levels. It is already common for middle-class Yugoslavs to pay the entire price of a new apartment even before the construction company breaks ground. As interest rates rise and the contractor accepts other projects, these families wait six or seven years for their privately owned, co-op housing to be built. Working-class families usually depend on housing allowances from their work unit or on apartments in company-owned housing. It is not unusual for them to wait more than ten years for company housing even when they are employed by the most profitable firms, such as oil companies and banks.

“IREDENTISM” & “COUNTERREVOLUTION”

In Serbia, the largest republic—whose ethnic majority is generally overrepresented in federal institutions, especially the army—a long, drawn-out “decolonization” poses special problems. The republic still controls two autonomous regions historically linked with the old Serbian state: Kosovo in the south and Vojvodina in the north. Though Kosovo’s continued lack of economic self-sufficiency makes it a drain on republican and federal budgets, Vojvodina’s rich land and efficient farms make it a model for Yugoslav agriculture. Kosovo’s population is predominantly Albanian with an appreciable percentage of Serbs who have lived
and worked there for several generations. Vojvodina is ethnically mixed because its formerly Hungarian and German farms were redistributed following the Partisans' victory in World War II.

Each of these areas plays the regional card and asserts a real or fictive sense of nationality. To some degree they are helped by the national government's inability to agree on a workable definition, even for census purposes, of Yugoslav nationality. There was a time, before religious categories were included in the federal census, when Muslims in Bosnia were the main claimants of "Yugoslav" nationality. But in the past ten years they, as well as Albanian Muslims in Kosovo, have increasingly asserted a separate national identity. With nationality reflecting ethnic, geographical, and religious ties, separatism is a constant issue.

In Kosovo the issue has been largely contained by Party purges, military occupation, and trials and arrests that began after protest demonstrations in 1980 and 1981. Police control continues, and occasionally someone is tried for nationalist "deviations" and "irredentism." Such activities can range from demands for greater recognition of Albanian culture to actual union with Albania. In Vojvodina, the ethnic heterogeneity of the population changes the nature of the demands. There is some attempt to play up the old Hungarian culture, although the capital of the region, Novi Sad, is also the historical "Athens of Serbia." Vojvodina's demands center mainly on greater control of the region's economic resources.

Just as nationalism continues to breed both dissent and retribution, so too do activities labeled "counterrevolutionary." Here, where the issue is freedom of inquiry and of assembly, state repression is sporadic and unpredictable, but clearly aimed at intellectuals who meet or publish outside official channels.

In July, for example, three Belgrade intellectuals were released from jail, where they had been on a hunger strike since their arrest on unspecified but unquestionably political charges since the end of May. Their release was merely the prelude to an eventual trial. Though they are still waiting to be informed of the charges, more than a hundred witnesses have been called to closed-door hearings, and their attorneys expect a trial for "organizing counterrevolutionary activity." Conviction on this charge carries a minimum prison term of five years. These intellectuals are neither counterrevolutionaries nor organizers. They attended the unpublicized but not clandestine meetings of the "open universities"—small discussion forums held in people's apartments—first organized in Belgrade in 1977. After a meeting last May to which Milovan Djilas, Yugoslavia's grand old man of dissidence, was invited, all the participants were interrogated by the police. Among them was a young worker who, physically intimidated or mentally harassed, died soon afterward, an apparent suicide. It was then that the police, evidently attempting to deflect criticism of their actions, jailed the Belgrade intellectuals. All three are in their mid-thirties. Two have already spent two years in jail following the student demonstrations of 1968, whose explicit social demands at a time of rising unemployment and increasing inequality had embarrassed President Tito. One of them was suspended from his job at a research institute earlier this year.

Their friends speak of international concern as the men's only hope against prosecution. Yet they, like the rest of the country, feel abandoned by would-be friends and allies around the world. It is a fact that events in Yugoslavia, and the Balkans in general, fail to excite the rest of the world. The Yugoslavs know, for example, that they cannot mount the same opposition to the IMF's demands as have the Latin American countries. Although they, unlike other East Europeans, have refused to depend on the Soviet Union, foreign investors have disappeared and foreign political leaders offer little hope or help. Under these circumstances, the repayment of Yugoslavia's international debts—calculated at $1,000 for every Yugoslav man, woman, and child—is as unlikely an event as international condemnation of the government's scapegoating of intellectuals. Yugoslavs themselves are ambivalent about testing the domestic political waters. They are both outspoken and prudent, and they are waiting for the politicians.

"SUPPLY-SIDE SOCIALISM"

Whether in response to international pressure or because the country approaches bankruptcy, the government does show some willingness to move. In mid-July it presented to the Skupstina a draft bill intended to ease the legal restrictions on all "private" investment. For the first time, foreign investors would be able to take their earnings outside the country instead of reinvesting them in Yugoslavia, and there would be no limit on the amount of profit they could retain. Moreover, foreign partners could now hold majority ownership in joint ventures. Perhaps even more significant in the absence of willing foreign investors, the bill also proposes to clear the way for investment by Yugoslav companies in other Yugoslav firms. Perennial fears of absorption, hostile takeover, and other "unsocialist" business arrangements seem to be yielding to the need to rid the economy of weak competitors and make more efficient use of capital.

Certainly the country's austerity conditions have the politicians running scared. So far they have been able to direct attention to unnamed enemies of the state and democracies within the system. The Skupstina shows some willingness to assert itself and place blame where it belongs. But like all Yugoslavian governmental institutions, the legislature is only as representative as the politicians are willing to make it. Neither the Skupstina nor any other elected body is an independent power base from which a leader may challenge the Party's collective wisdom.

Many of the most highly educated Yugoslavs are also Party members. Can they press for a consensus for change within the organization? If the military can put aside its fear of labor strikes and the politicians can persuade the poorer half of the population to accept further cuts, this "supply-side socialism" has a chance. Yet in reducing the poorer republics' possibilities for patronage, it also risks setting off an explosion.

It is difficult to avoid the feeling, however subjective its basis, that Yugoslavs really have accomplished a great deal with so few means at their disposal. And what have they really tried to do but give themselves a moment in the sun or, more precisely, three weeks a year on the Adriatic coast, a car, and coffee every day. Nevertheless, it is possible that no international lending organization can ever understand or condone Yugoslavia—its shortcomings and its aspirations. [W.Y.]