Regional Development in Communist Yugoslavia

Success, Failure, and Consequences

Dijana Pleština

Westview Press
BOULDER • SAN FRANCISCO • OXFORD

Published in 1992 in the United States of America by Westview Press, Inc., 5500 Central Avenue, Boulder, Colorado 80301-2877, and in the United Kingdom by Westview Press, 36 Lonsdale Road, Summertown, Oxford OX2 7EW

Library of Congress Cataloging-in-Publication Data
Pleština, Dijana.
Regional development in Communist Yugoslavia : success, failure, and consequences / by Dijana Pleština.
p. cm.
Includes bibliographical references and index.
ISBN 0-8133-8186-X
1. Yugoslavia—Economic conditions—1945– —Regional disparities.
2. Yugoslavia—Economic policy—1945– I. Title.
HC407.P57 1992
330.9497'02—dc20

92-32259
CIP

Printed and bound in the United States of America

The paper used in this publication meets the requirements of the American National Standard for Permanence of Paper for Printed Library Materials Z39.48-1984.

10 9 8 7 6 5 4 3 2 1

Regional Development in Communist Yugoslavia

To Pat, Felix and D. J.

Acronyms and Abbreviations

BiH	Bosnia-Hercegovina
BOAL	Basic Organization of Associated Labor
CPY	Communist Party of Yugoslavia
Development Fund/The Fund	Fund for the Accelerated Development of the Insufficiently Developed Republics and the Autonomous Province of Kosovo
DR	Developed Region
FEC	Federal Executive Council
FNRJ	Federalna Narodna Republika Jugoslavije (Federal Peoples' Republic of Yugoslavia)
GIF	General Investment Fund
GMP	Gross Material Product
LCY	League of Communists of Yugoslavia
LDR	Less Developed Region
SFRY	Socialist Federative Republic of Yugoslavia

Acknowledgments

The research for this book was first undertaken in fall 1982 thanks to the Canada-Yugoslavia Exchange Fellowship. The University of California, Berkeley, provided additional support for research in Yugoslavia as well as for the early stages of the writing through the U. C. Chancellor's Fellowship, the Robert A. Braden Fellowship and the Andrew W. Mellon Fellowship. For the latter two, I thank the Department of Political Science and the Center for Slavic and East European Studies. I also thank Andrew Janos, Kenneth Jowitt and Laura D'Andrea Tyson for their early guidance on the dissertation on which this book is based. Three institutions provided the support necessary to complete the project. The Social Science Research Council organized a Workshop on Soviet and East European Economics in July 1989, which was a welcome forum for a great deal of helpful discussion. The PICAS Fellowship held at the University of Michigan in Ann Arbor enabled me to begin rewriting the book in spring 1990. Finally, without the continuing support of the College of Wooster, from which I received summer research grants from 1988 to 1992, it would have been impossible to bring to date information on Yugoslav regional development policies and effects and thus to finish this book.

From September 1982 to November 1983, while holding the Canada-Yugoslavia Exchange Fellowship, I was based at the University of Belgrade. Professor Ljubislav Markovic kindly arranged access to various libraries and closed collections and generally proved helpful in the early orientation in Belgrade. During those fifteen months I travelled extensively throughout Yugoslavia. While the travelling and the work load on the trips were often gruelling, the courtesy and unfailing helpfulness of my respondents, especially in the less developed regions, provided that extra push when my stamina and energy faltered. Their surprise and genuine delight that I was Croatian, and as such "theirs," showed in their frequent exclamations of "*a, pa ti si nasa!*" (well, you're [one] of *ours!*); their pleasure that though now living in America I still wanted to find out about them made me indeed feel Yugoslav, in the best sense of the word. The time

and effort they spent in the exchange of information and ideas cannot be overemphasized. For that I thank each person named in Appendix III.

Additionally, there are a few individuals whose endless patience in repeated and/or particularly long and exhaustive interviews I wish to especially acknowledge: Milovan Djilas, Bosko Gluscevic, Hasan Zolic, Misa Jandric, Marjan Korosic, Sulejman Kamenica, Ljubislav Markovic, Kosta Mihailovic, Mihailo Mladenovic, Jovan Radovanovic, Maurice Romano and Rudi Supek were particularly generous with their time and energy and helpful in explaining the broader socio-political context in which regional development occurred.

Various parts of the manuscript were read by friends and colleagues to whom I remain indebted. Many of their helpful remarks and incisive comments have been incorporated into the book. For this I thank Ellen Elias-Bursac, Aleksandar Bogunovic, Ognjen Caldarovic, Bogomil Ferfila, Gregory Grossman, Thomas Hellie, David Ost, Stjepan Plestina, Jan Svejnar and Mark Weaver.

Without my family in Croatia and Canada, who provided love and support, this project would have been far more difficult to carry out. In particular, I thank my family in Zagreb and Novska, who have continued through the years to provide me with a bed and a place for my suitcase even though I come so often and often stay for so long.

The assistance provided by Sarah Choudhury, Kimberly Niezgoda and Teresa Wilson was most helpful in the completion of the manuscript. Kim's library research kept me supplied with the books that I needed. Terry and Sarah did an excellent job typing and preparing the manuscript for camera-ready copy. The skill, good humor and encouragement of all three lightened my work considerably. In addition, Sarah undertook the task of indexing as well as of seeing the project through to completion. I am immensely grateful to her for her excellent work.

Finally, there are a number of individuals who, through the years, directly or indirectly contributed a great deal to this book. Richard Lowenthal, who in his own life so successfully combined social and political involvement with intellectual concerns, has been an inspiration. Patricia Walker has helped me to find a voice without which it would have been impossible to write. The friendship and the shared conversations with Gary Bonham and Christine Paige have been important throughout this project. Issues of social equity and social justice, which form the background of this project, were first explored many years ago with Atul Kohli. Those times of shared concerns and mutual support I continue to cherish. Marina Gozze-Gucetic and Branislav Pujevic have for years provided me with my home in Belgrade. Jovan Radovanovic has been a friend and a

colleague for a decade. Our long conversations have helped me to understand a great deal of the "Yugoslav" realities, perceptions and self-perceptions. In Zagreb, I can always count on a well-informed, intelligent and thoughtful perspective thanks to my friend and cousin Mario Weisser.

To the above-mentioned, this acknowledgment is a small expression of my gratitude.

*Dijana Plešt*ina

Introduction

I feel compelled to begin by acknowledging that my interest in Yugoslav politics in general and in the politics of regional development in particular is not that of a supposedly neutral observer; nor is it a recent development based upon the savage war currently being waged on its soil. I was born in Zagreb. My experiences of the 1950s, filtered through the memory of childhood were, like those of most small children, shaped by the prism of family life. One *Jaffa* orange carefully wrapped in tissue paper, brought to my sister's birthday party as the present; certain friends coming to our house every few weeks for a bath; visiting our *kumove*[1] and walking self-consciously through their once-large apartment, now subdivided among several families, until we were in the one room that remained theirs. Later, after my parents left Yugoslavia, and my sister and I went to live with our grandparents on their farm, I became part of a still different world. Peasant women walking barefoot on the dusty, dirt-packed road, one hand steadying the baskets of cheese and *kajmak*[2] perched on their heads, in the other carrying their town-shoes, meant market days and excitement if we too were going to buy piglets or sell a cow; a marker on the side of the road where a partisan had been killed by the *ustase* was the half-way point to a friend's house; a tin of orange marmalade, left-over from food packages dropped by Americans during the war, was the prize found in the pantry one cleaning day; and daily card games with my dear grandfather who, crushed by the helplessness of watching his once-prosperous flour mill nationalized then left empty to crumble before his eyes, would be briefly assuaged by a high-spirited and blissfully happy granddaughter.

Two decades later, when I began my graduate work at U.C., Berkeley, those childhood memories reemerged and gave substance and color to the study of modernizing peasant societies. Problems of rapid urbanization and shortages of consumer goods, aggravated by the "socialist" framework which decreed discriminatory policies against agriculture, especially that of the private sector, and which, in its zeal

1 The closest English translation of *kumove* in this case is godparents.

2 *Kajmak* is an unprocessed dairy product not unlike whey or crème fraîche.

for egalitarianism, first nationalized and then so often destroyed through incompetence the small enterprises in their charge, were already familiar to me. But that came later. In 1957, the orchards, fields and gardens, all immense and beautiful, were mine to roam at will. The interruption to this happiness was sudden, swift and, to a child, horribly final. The exit visas arrived, and my sister and I were taken first to Germany to join our parents, and, henceforth, to Canada.

I first returned to Yugoslavia in the summer of 1968 and again in 1969. My grandfather had died, my aunt and two uncles had married, and four little cousins stared shyly as we met for the first time. Much had changed in Yugoslavia in the intervening decade, all of it for the better. The country was more open; foreigners came to holiday on the Adriatic and those Yugoslavs who could afford to were now free to travel to the West. In the house, wood cooking stoves had been replaced or supplemented by small gas stoves, and the urban middle class in the supposedly classless society was acquiring modern conveniences; transistor radios, telephones and even waist-high refrigerators were not uncommon, especially in the cities, nor were cars, the ultimate symbol of freedom. One uncle, who had worked on Yugoslav-run projects in the Middle East and had earned foreign currency, had bought a German-made Opel; the other uncle had the more common, tiny, Yugoslav-made Fiat. But with a car and more or less open borders, they, like so many others, felt that the gap with the West was beginning to close.

By 1973 the feeling had grown. Although political retrenchment following the purge of the liberal-nationalists in Croatia and Serbia in 1971 and 1972 showed that, even in Yugoslavia, free speech and dissent had definite limits, living conditions continued to improve. Now, even relatives who still lived in small towns and on farms scattered throughout Slavonia had refrigerators, and at least one person in every family had bought the small Fiat; the city relatives now owned washing machines and, at least once a year, travelled to Italy to buy jeans and other fashionable clothing.

I spent six months in Yugoslavia in 1973, living on my own and for a time working as an interpreter for an import-export firm specializing in lumber and wood products. As a natural extension of my life there, I took out a Yugoslav identity card and passport. It was a logical step given that I had desperately not wanted to leave as a child, that I loved the country (what I knew of it) and that I *felt* Yugoslav; that step was also to prove extremely helpful nine years later when I began my doctoral research.

When I returned to Yugoslavia in the spring of 1974 after a month of travel through Turkey, Iran, Afghanistan and Pakistan and a four-month stay in India and Nepal, Yugoslavia seemed like the proverbial land of milk and honey. The sheer amount and the nature of the poverty I had seen during those five months of travel by trains and buses were staggering. The economic disparities, class-based ones so visible in cities like Istanbul, Teheran and Delhi (or, as an earlier trip around the North American continent had disclosed, in Los Angeles, Mexico and Washington), as well as more regional ones, were conspicuously absent in what I had seen of Yugoslavia. The Yugoslav way of life and the system that made it possible seemed far better, certainly far more equitable and humane, than what I had seen elsewhere.

In 1978 I returned for another semester-long stay. This time I travelled beyond the Croatian areas of Slavonia and Dalmatia, where I had family, to Montenegro, Bosnia-Hercegovina and Serbia. The differences between what I had known of Yugoslavia from travelling in the "north" and these areas in the "south" were visually striking. A skyline of minarets and steeples, the latter both Orthodox and Catholic, peasant dress so varied and so colorful, the foods--*burek* and *pljeskavica* as common as the ubiquitous *snicl* in the "north"--and, of course, the music . . . and the traditional arts . . . ; the variety was extraordinary and marvellous.

However, the disparities in development and in lifestyle between the Slovenia and Croatia that I knew and the areas I was travelling through and discovering, were also striking--and troubling. Often what I saw in these regions reminded me of what I remembered of Yugoslavia of the 1950s and at times even of what I had seen while travelling to and in India. Dirt roads, ragged children, open sewers or peasants who would get off the bus in the middle of nowhere to take a path which led across mountains to a hamlet on the other side--all these were a stark contrast to life in the "north." There, by 1978, Volkswagens had replaced the tiny Fiats and major cities could boast occasional traffic congestion, shopping trips to Italy had become *de rigueur* for the growing middle class, and the yearning, and to some extent the accessibility, for the "exotic" could be seen in such things as the proliferation of new and modified dessert recipes substituting bananas, kiwis and pineapples for apples, cherries and strawberries.

The previous year I had returned to graduate school in order to explore more systematically phenomena I had seen or experienced as a result of my own background and my continuing links to Yugoslavia, as well as of living and travelling in North America, Europe and India. The questions that interested me the most were related to poverty and

conditions which create, perpetuate or alleviate it, the role of governments in these and the effects of development-oriented policies and plans. By 1982 these broad concerns had crystallized around the topic of regional development in communist Yugoslavia. For, by 1982, the Yugoslav economy was in crisis and regional differences over the allocation of shrinking resources to the less developed regions (LDRs) had led to a government impasse, one result of which was the year-and-a-half delay in passing the 1981-1985 Five-Year Plan. Clearly, regional development was a critical issue in Yugoslav domestic politics if differences over it could delay the five-year plan at a time of economic crisis. Yet I could find no comprehensive study of the subject.

Furthermore, I wasn't sure myself whether economic inequalities between republics and regions in Yugoslavia had increased or decreased, and how significantly, under communist rule. The perusal of Yugoslav literature revealed a debate of sorts, which seemed to indicate that inequalities had increased, although the conclusion varied according to the indicators used, the regions examined and, most of all, who was presenting the argument: the developed regions (DRs) or the less developed regions (LDRs). The Western studies which discussed briefly the problem of Yugoslav regional development generally indicated that the disparities had grown. That was both curious and somewhat counterintuitive despite what I had seen while travelling in the LDRs in 1978.

For although regional disparities between the "north" and the "south" in the international arena were widening as were those within most capitalist countries, Yugoslavia's circumstances were different. First, unlike liberal democracies, both developing and developed, independence from a sometimes fickle electorate freed the Yugoslav regime to pursue economic policies which could be painful in the short run but which might be necessary for long-term development. At the same time, unlike other communist states of East Europe, Yugoslavia was free to pursue a development model best suited to its capacity and needs with no fear of Soviet intervention. Indeed, throughout the postwar period it benefited from a long and rare period of international political stability, certainly an asset to economic development. Furthermore, throughout this period of international stability, there was also domestic stability and leadership continuity. Tito, who had assumed leadership of the CPY in 1937 and of Yugoslavia in 1945, continued to rule the country until his death in May 1980. And although his rule was punctuated by periods of political turmoil, these periods were always brief, localized and, most importantly, successfully contained.

Finally, during this time of international and domestic stability and leadership continuity, Yugoslavia's political system had undergone dramatic changes. The highly centralized, Soviet-patterned Yugoslavia of the early days was a very different country from the self-managed, decentralized and relatively open Yugoslavia of the post-1965 Reform. Yet, in both centralized and decentralized periods, despite the reiteration in every five-year plan that "development . . . through industrialization so that the developed states continue to develop, but the less developed are enabled to catch up in 'revolutionary jumps'"[3] would remain one of the priorities of the regime, it seemed that economic inequalities between the developed and less developed had continued to increase. In a reportedly socialist state, where for both pragmatic and ideological reasons the narrowing of economic inequalities between republics and regions should have been and, according to every formal pronouncement made by the regime, was a priority, the increase in inequalities was problematic. Furthermore, since in mutinational Yugoslavia the politicization of economic inequalities along ethnonational lines, especially as these corresponded to the political and national boundaries, was likely, this increase in inequalities was also dangerous. Thus, if economic inequalities had increased, how could one explain it? That's what I wanted to find out.

More specifically, I wanted to know first how the regime had performed in one area, that of regional development, which, after all, for a socialist state was crucial since the claim to narrowing economic inequalities was at the core of its *raison d'être.* For that I needed to find out if economic inequalities between the DRs and the LDRs really did increase as was usually claimed and, if they did, if that increase occurred across the board, for all LDRs and according to all indicators of development or, if the results were more differentiated with inequalities increasing according to certain indicators and/or in some regions though decreasing in others. Second, I wanted to know how those most closely associated with the regime viewed and explained their performance. For that I sought to find out how the Yugoslavs judged their effort and their record on regional development and, if the disparities had increased, how they explained that increase.

[3]Boris Kidric, *Privredni problemi FNRJ [Economic Problems of FSRY]* (Belgrade: Kultura, 1948). Kidric, who was also part of Tito's close entourage from 1937, became Chairman of the Economic Council and Minister of Industry in 1946 and architect of Yugoslavia's highly ambitious First Five-Year Plan, inaugurated in April 1947. As a member of the Politburo and Chairman of the State Planning Commission, he was responsible for passing the first reforms of the economic system. He died in 1953 of leukemia.

To answer these questions I examined each of the four postwar decades in terms of policies pursued and their effects on regional development as well as the "Yugoslav" respondents' perceptions of their effort and its results. The decades were further subdivided into the five-year plan periods, and although there is some overlapping between the planning period and the decade, these are minimal and of no consequence to the argument. The interviews were first conducted from fall 1982 to winter 1983 and subsequently yearly from 1988 to 1992. They were conducted in all the republics and regions of Yugoslavia, and the respondents were drawn from a wide cross section of academics, bureaucrats and politicians who were involved in the advising, planning or implementation of regional development policies.[4] The four chapters, Chapter 2 through Chapter 5, which examine and assess regional development policies and effects from 1950 to 1990 as well as the Yugoslav perceptions and explanations of these, form the core of the study. Chapter 6 summarizes the various explanations given by the Yugoslavs for the regime's failure to abolish regional economic inequalities by aggregating the various explanations into three categories. This classification is useful for providing some theoretical underpinning to the discussion as well as for clarifying the arguments and positions of the Yugoslav decision-makers. It also illustrates how the Yugoslavs' perception and position on regional inequalities (1) varied according to their region of origin and (2) changed over time.

The three categories which encompass the explanations are: (1) the lack of a *coherent plan of development*; (2) the explanations which center on *external politics*, notably the geopolitical argument according to which international tensions forced a shift in goal priority, relegating regional development for the first fifteen to twenty years to a low rank on the list of regime priorities and the economic argument, which holds that lack of economic resources prevented the Yugoslav Communist regime from actively pursuing development of the LDRs before 1960 or even 1965; and (3) the explanations based on the imperatives of *domestic politics*, which, in addition to the economic argument, consider the role of ideology, the ethnic-national conflict and the power of interest groups as decisive after 1965 in forcing a displacement of the goal of faster development of the LDRs from its place of priority.

[4]For more on the conceptual and methodological difficulties encountered, as well as on the research method used, please see Appendix I. For a list of the formal questions posed to the respondents in the first phase of the interview process, 1982-1983, see Appendix II. For a complete list of those interviewed, see Appendix III.

Although the various explanations for regional development which characterized certain periods are not exclusive of each other, they were chosen on the basis of their importance in determining the policies pursued in that specific period. Thus, as we shall see in Chapter 2, explanations for the Yugoslavs' failure to abolish regional inequality in the 1950s are based on *external* factors, notably on the Yugoslav geopolitical and economic situations. Chapter 3 will examine the impact of the rise of *domestic politics*, specifically of the rise of ethnonationalism and of economic cycles on regional development in the 1960s; in addition to the continuing influence of these two, the shift in ideology to permit the pursuit of economic interests in the 1970s will be examined in Chapter 4.

Because there is so much current discussion of "nationalism" and "ethnic-nationalism," it is important to note how I use these terms. I have chosen to use *ethnonationalism* (or *ethnic-nationalism* when stylistic considerations warrant it) to differentiate what James Kellas calls the "'exclusive nationalism', since it excludes from membership of the nation those people who do not share a common ethnicity, which usually means a common descent," from "official nationalism of the state, encompassing all those legally entitled to be citizens, irrespective of their ethnicity, national identity or culture."[5] Thus, it was nationalism *tout court* (what Kellas calls "official nationalism") which rallied the Yugoslav population behind Tito and the CPY at the time of the Cominform resolution in 1948 and which they tried to further promote through the policy of *Jugosloventsvo*. But it was ethnonationalism (or ethnic-nationalism), the "divisive nationalism"[6] both of the officially recognized nations of the former Yugoslavia (Slovenes, Croats, Serbs, Montenegrins, Macedonians and, after 1968, Bosnian Moslems) as well as of the unrecognized Albanians of Kosovo, each of which inhabited its own distinct political unit--a republic or, in the case of Kosovo, a region--which played such a critical role in

[5]For an excellent discussion on nationalism and ethnicity see James G. Kellas, *The Politics of Nationalism and Ethnicity* (New York: St. Martin's Press, 1971), pp. 51-52; see also Paul R. Brass, *Ethnicity and Nationalism* (New Delhi: Sage Publications, 1991), Paul S. Shoup, ed., *Problems of Balkan Security; Southeastern Europe in the 1990s* (Washington: The Wilson Center Press, 1990), and Dennison Rusinow, "Nationality Policy and the 'National Question,'" in *Yugoslavia in the 1980s*, Pedro Ramet, ed. (Boulder: Westview Press, 1985).

[6]The term is taken from Eric Hobsbawm in *Nations and Nationalism since 1780* (New York: Cambridge University Press, 1990).

Yugoslav postwar development and eventually led to its disintegration.

In addition, the term "less developed republics and regions" needs to be specified since the definition of the LDRs changed over time. In the First Five-Year Plan (1947-1952) and in the yearly plans until 1957, the LDRs consisted of Bosnia-Hercegovina, Macedonia and Montenegro, although Macedonia was virtually ignored in terms of investments. In 1957 Bosnia-Hercegovina was taken off the list and Kosovo-Metohija (later changed to Kosovo) was added, though it received minimal investments, and even those were controlled by Serbia. In 1961, BiH was readmitted to the list of the LDRs as were the less developed areas of the developed republics, which were kept on until 1970, that is even after the Development Fund began to operate in 1965. From 1965, Bosnia-Hercegovina, Kosovo, Macedonia and Montenegro were defined as the LDRs.

Among the various explanations given by the Yugoslavs for the failure to decrease regional economic disparities, one, which was rarely mentioned overtly and never publicly, stands out by its glaring omission. *Economic regionalism*, the regional pursuit of economic interests, was never formally acknowledged by the regime. Yet evidence shows and interviews corroborate that protection and enhancement of one's region's economic interests, present throughout the postwar period, were the most salient determinants of policy promulgation and implementation. In the deteriorating situation of the 1980s, as will be shown in Chapter 5, this protection of one's region's interests led to a more open and explicit struggle among the regional political elites for the decreasing resources.

It is this acute awareness of regional economic interests and their staunch defense by means of a variety of purportedly "objective proofs" put forth by all the republics and regions, and often by the communes as well, which accounts for the Yugoslavs' failure to arrive at a "coherent plan of development." That is, fundamentally different and often opposing economic interests of the constituent republics and regions of the Yugoslav federation prevented the formulation of a consensus regarding a "coherent plan of development," since in such a heterogeneous country, any one plan would almost by definition be seen to favor some regional interest(s) at the expense of other(s).

Whereas the initial federalization of Yugoslavia was the answer to the age-old yearning for self-rule in the face of both historical and inter-war domination, the further devolution of power which occurred between 1965 and 1975 was an attempt, first, to counteract the increase in ethnonationalism by divorcing it from the belief that a still