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# Yugoslav self-management

Capitalism under the red banner

Juraj Katalenac

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Originally published in *Insurgent Notes #9*

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October 3, 2013



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All official and liberal science defends wage-slavery, whereas Marxism has declared relentless war on that slavery.

### **Lenin**

Yugoslav self-management is a unique historical experiment. Furthermore, it is one of the most interesting formations of, so called, real-socialism up to today, as Yugoslavia broke with the Soviet Union and initiated its own specific economic, political and ideological way. It was a system which publicly criticized "bureaucratic deviations" of the Soviet Union, which shouted "workplaces to the workers," which "abolished" its own Communist Party and set its own path in Cold War politics. But it was also a system of its own contradictions, a system that criticized the bureaucracy of others while its own was growing, a system that stood for workers' self-management only on paper while technocrats and managers ran the economy in practice, a system that "abolished" the One Party by just renaming it and a system that raged against imperialism while it took an active role in it. Also, if we take a look at questions of federalism and centralism or the national question(s) within Yugoslavia, we will get one really complex and interesting picture. Still, self-management, especially with the new social movements that spawned recently and that are attracted to such ideas, remains a crucial and relevant topic. For the same reason, it is a really big shame that in an era of the Fukuyamist "triumph of democracy," few people study Yugoslavia and, on Croatian faculties, it is mentioned only through post-90s liberal-nationalist mythology.

The aim of this article is to give a Marxist critique of Yugoslav self-management. I think that Marxism is not "defeated" and that Marx's critique of capitalism can be applied to so-called "socialist" countries. Because of that, I consider "socialist" Yugoslavia as a capitalist society. As a Marxist, I completely reject the Stalinist hoax of "socialism in one country," but also, I analyze economic

and political relations based on a Marxist analysis of capitalism instead of mere proclamations and documents that these systems published. In my critique of the Yugoslav economy, I'm relying on the works of Marxists such as Raya Dunayevskaya and Paresh Chattopadhyay and their analyzes of the Soviet Union, as there are a lot of similarities and useful approaches. Using Marx's method, I accept that the fundamental criterion to characterize an economy is in its specific social relations in production. They reveal the specific ways in which workers and the means of production are combined for production—or in class society—the specific form in which the unpaid surplus labour is pumped out from the immediate producer" (Marx in Chattopadhyay 1994:5). By using this method, as Dunayevskaya and Chattopadhyay did in the case of the Soviet Union, or as I'll try in the case of Yugoslavia, we can notice specific social relations in production on which society is based, i.e. the ways of appropriation and use of surplus labour of that society. We can also mention the need of these economies for "enlarged reproduction of the relations of production that determined specific existential forms of ownership, exchange, and distribution" (Chattopadhyay 1994:6). For an analysis of capitalism, it is important to present the dual meaning of Marx's concept of capital: economic and legal, upon which we will analyze relations within "socialist" Yugoslavia. Also, it is important to tackle the revision of Marxism by Marxist-Leninists such as Stalin and the Soviet intelligentsia, but also Yugoslav intelligentsia such as Tito, Edvard Kardelj, Boris Kidrič and economist Branko Horvat (see his book *ABC of Yugoslav Socialism* (1989).

In the discussion about workers' self-management, I'll also analyze its critique by Yugoslav intellectuals around the philosophical journal *Praxis*. In the #3–4 issue in 1971, *Praxis* presented its critique of Yugoslavia that in some works, like in Rudi Supek's "Contradictions and ambiguities of Yugoslav self-managing socialism" (1971), marked Yugoslavia as a capitalist society, but still stood behind self-management as a path to communism.

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This subject is too large to be adequately processed in such a short form. A lot of "episodes" and "moments" of the Yugoslav system will be left out. As this is my first serious article, I'm hoping that certain mistakes will be pointed out in critiques and comments I'll receive upon individuals' reading of this one. I'd like to thank all the people whose comments helped me to shape this article. Also, I'd like to express my gratitude to the editors of *Insurgent Notes* to allow me to contribute to this issue.

## BIRTH OF SOCIALIST YUGOSLAVIA

It is impossible to talk about Titoism or Yugoslav self-management without knowing certain historical contexts which helped to spawn these ideas. In order to do that, we need to analyze the politics of the Communist Party of Yugoslavia (CPY) and its national branches, working class self-activity, and the international official communist movement, which was by then heavily infected with post-October, now Stalinist, counter-revolution.

It is really important to state right away that communist revolution never happened in Yugoslavia. The CPY won power because it came out on the winning side after the Second World War, because of the strength of Soviet imperialism, i.e. the Soviet Red Army, which it supported and because it succeeded in securing its ruling position in the inner-Yugoslav power struggles with the royalists. Furthermore, during the Second World War, the CPY was the leading force in the National Liberation Movement (NOP)<sup>1</sup>, an inter-class anti-fascist popular front movement, which allowed bourgeois and petty-bourgeois elements to enter on an equal basis, unidentified with their old political banners. NOP was a broad movement and the Party recruited most of their militants, regardless of class affiliation, to form the cadre and the

<sup>1</sup> Serb-Cro. Narodno oslobodilački pokret (NOP) was a Popular Front movement in Yugoslavia during the Second World War.

executive apparatus for a new stage of counter-revolution (James 1986:89). Even leftists like to repeat Yugoslav mythology about the NOP being a revolutionary movement; its documents, such as the February 1943 *Statement of NOV i POJ and AVNOJ's HQ*<sup>2</sup>, prove otherwise. In that document, it is clearly stated how they consider “private property sacrosanct” and advocate the “full possibility of self-initiative in industry, trade and agriculture” (Petranović 1988:342).

One of the first tasks of the CPY was the reconstruction of Yugoslavia and establishing full control over Yugoslav territory. The number of victims of the Second World War was huge. The demographic loss was 1,706,000 people<sup>3</sup>; 3.5 million people lost their homes and production was only at 30 percent of its pre-war capacity. 36.5 percent of industry and 52 percent of railway tracks were destroyed in the War (Bilandžić 1974:16). Following the “Soviet model” of nationalisation and establishment of state property, the CPY thought it could reconstruct the economy and launch industrialisation which would help it to accumulate a vast amount of means of production.

When I say that the CPY “copied” the Soviet Union, it is really important to state that, back then, to most CPY members, the Soviet Union meant “socialism,” which is a reason why the masses and the rank-and-file of the CPY were really enthusiastic about the creation of a new society. It is really important to state that most members of the CPY did not actually know what was happening in the Soviet Union and that they idolised it as a symbol of proletarian victory

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<sup>2</sup> Serb-Cro. *Izjava Vrhovnog štaba NOV i POJ i AVNOJ-a*; NOV i POJ stands for Peoples Liberation Army and Partisan Units of Yugoslavia and AVNOJ stands for Antifascist Council of National Liberation of Yugoslavia.

<sup>3</sup> In his book *Samoupravljanje 1950–1974* (eng. *Self-Management 1950–1974*; 1974,) Yugoslav historian Dr. Dušan Bilandžić claims that 1,706,000 Yugoslav people were killed in the Second World War, i.e. every tenth citizen of Yugoslavia. Actually, he’s talking about demographic loss, i.e. the number which marked how many citizens the country lost. This number was presented as the number killed at the peace conference in Paris, so that Yugoslavia could maximize its sufferings.

The idea of self-management was never part of the Marxist tradition and it never was and never will be able to tackle capitalism and to replace it. Quite the contrary, in the case of Yugoslavia, self-management only increased the power of the ruling class and integrated the working class into the state, just like the welfare state in the West. Furthermore, Yugoslav self-management kept capitalist relations safe, declared the law of value, commodity production and market exchange as mere “economic tools” that exist in every economy, and solved every economic and political crisis with broader liberalisation as the main austerity measure. If self-management was supposed to show “another way” of organization of a socialist state, it failed—as socialism in one country is a wasted project. Communist transformation is only possible on international scale.

Although one would have to be completely blind not to notice the difference between basic living conditions in Yugoslavia and today’s ex-Yugoslav countries, one shouldn’t fall into the trap of nostalgia or calling for the refurbishment of Yugoslav relations. Yugonostalgia in the political arena is nothing but an a-political populism or superficial analysis. Instead of feasting on Yugonostalgia, one should concentrate on understanding the conditions and relations that existed within Yugoslavia, their dialectical development in the ex-Yugoslav countries and how that affected the lives of the proletarians in order to strive for a classless society of tomorrow. We have to be constantly aware that struggle for a classless society involves understanding of present day relations in production, class dynamics but also historical lessons, where a resurrection of state socialist regimes isn’t a goal but an obstacle.

## SOURCES



declassing of the working class in the confusion of the term “people,” which made ideological excuses for the existence of classes, class society, but also of increasing nationalism. All together, it is really interesting how, unlike most of today’s left, the ultra-right neo-classical economist Ludwig von Mises, pretty much hit the spot in his analysis, of course in his own way:

“The syndicalistically organized state would be no socialist state but a state of worker capitalism, since the individual worker groups would be owners of the capital. Syndicalism would make all re-patterning of production impossible; it leaves no room free for economic progress. In its entire intellectual character it suits the age of peasants and craftsmen, in which economic relations are rather stationary.” (von Mises 1983:199)

## CONCLUSION

Yugoslavia was a capitalist society. As I’ve pointed out, we cannot analyze an economic system by accepting its proclamations or documents, but by materialist relations in production. Capitalist systems are marked with the existence of class relations in production, wage, exchange, commodity production, etc., while communism is a movement which abolishes these relations. Yugoslavia had all the features of a capitalist system; no matter how much time its ideologues spent on masking them. For example, social property was nothing but property of a ruling class that appropriated its surplus value. Also, there was no socialist and/or communist revolution in Yugoslavia. Communist revolution is marked by an uprising of the proletariat which, together with its class Party, “abolishes the present state of things” (Marx). In the case of Yugoslavia, the CPY won power after war while relations in production didn’t change at all.

and salvation. That cannot be said for the leadership of the Party which was very familiar with events in the Soviet Union, especially since most of the leaders of the CPY were agents of the NKVD<sup>4</sup>. According to various Yugoslav historians, the CPY—as the most loyal follower of the Communist International—thought that the Soviet Union had developed the “right experiences” in building socialist socio-economic relations and a political system which could be applied to all “socialist states” and which could be accepted by all communist parties. The CPY thought that the “Soviet model,” i.e., the “Russian way,” was the only possible right way to socialism, in the sense of building state property and an administrative-centrist system of managing society, especially the economy. The Yugoslav leadership declared that nationalisation meant socialism because all property was confiscated by the people’s authority and because that confiscated property had passed into the hands of a “working people’s state” which had become manager of that property. It is really interesting to mention here Tito’s interview in *Borba* (eng. *Struggle*) from November 29<sup>th</sup> 1951 in which he talked about the development of the “revolution” in Yugoslavia. Through this interview we can clearly understand the ideological paradigms of Stalinism which were deeply rooted in the CPY’s policies. He talked about four revolutionary actions of Yugoslav communists: (i) the uprising against the occupiers, (ii) the struggle against domestic traitors, (iii) the destruction of the state apparatus which served the occupiers by the people, and (iv) the creation of a “popular government.” He also talked about the national question of the Yugoslav people and about the transfer of the means of production to the hands of “working people.” As we can read in C.R. James’s *State Capitalism and World Revolution* (1986), where he quoted the Yugoslav leadership, “nationalisation was well prepared organizationally and was carried out in such way that sabotage and damage

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<sup>4</sup> Rus. Народный комиссариат внутренних дел was the Soviet secret police.

were made impossible. All enterprises in the entire country were taken over on the same day and almost at the same time without the stopping of production” (James 1986:90). What we have here is classical example of “socialism in one country,” i.e., Stalinist state capitalism.

Long before coming to power, the CPY tried to destroy working class self-activity and to subordinate it under its banner. The CPY managed to become the one and the only representative of the working class in Yugoslavia and victory in the War only strengthened their position. For example, in the press of the International Communist Party (PCInt) from Italy, also known as *Battaglia Comunista*, we can find interesting “moments” from the time when Titoist forces entered Trieste. These “moments” concern executions of anarchists and communists by Tito’s forces, but also they also show how Tito’s forces did not allow the Trieste proletariat to carry red banners, but only Yugoslav and Italian national flags (*Battaglia Comunista* 1947, 2012; Erba 2012). This pretty much demonstrates the anti-proletarian nature of popular front politics. When it comes to the CPY’s actions “at home,” militant trade unions were destroyed and sucked into the new state:

“Under the construction of the new Yugoslavia, after the nationalisation of industry, and as a result of the quick tempo of socialist building, the workers’ class is no longer a class of bare-handed proletarians which must fight a daily political and economic struggle, which must fight for more bread. This class today—in alliance with other working masses—holds the authority—holds the greater part of the means of production, and its future depends in the first place on itself, on its work, and on its unity with other toilers, on the mobilisation of all toilers in socialist building” (CPY in James 1986:80).

changes in individual workplaces, managed by workers’ councils, will lead us to a “latter stage” or communism. Communist society is not marked by workers’ control, workers’ management or giving power to producers. In communist society, there are no more producers or non-producers as there are no classes. The point of communism is the disappearance of the proletariat as a class, along with the wage system, exchange and in the end – individual enterprises. “There will be nothing to control and manage and nobody to demand autonomy from” (Bordiga 1957). Or in Marx’s words:

“In a future society, in which class antagonism would have ceased, in which there will no longer be any classes, use will no longer be determined by the minimum time of production; but the social time of production devoted to different articles will be determined by the degree of their social utility.” (Marx 1959:52)

One of the big problems of the idea of self-management is reducing the historical conflict from national to local, communal or workplace level instead of extending it onto an international scale—onto the problem of the capitalist system as whole. In this moment, we can see the whole idea of self-management constantly returns to its ideal form of “autonomous commune,” the first capitalist form from the end of the Middle-Ages. While in Marxist circles, the term “petty-bourgeois” is too often used as an insult or denunciation in petty ideological discussions, in case of self-management that term would go pretty well with its class nature. Self-management is an ideology of the self-employed, craftsmen and peasants that want a market system without monopoly in which they can freely compete. Of course, in the case of Yugoslavia there were quite obvious monopolies and the market wasn’t as “free” as some would want. Also, the renaming of the CPY to the LCY wasn’t accidental. Its essence is the movement of the focus from “class” to “people,” i.e.,

behind the Marxist rejection of workers' self-management stands Marx's materialist analysis of the former, instead of "dogmatism" or "catechism" as "critics" of Marxism like to point out all the time. As Marx once said, and Engels and Lenin repeated so many times: revolution is not a question of forms of organisation. Therefore, to put form above content, to fetishise a certain form while neglecting its content, is one of the most dangerous, but yet classical mistakes that leftists make.

The ideology of self-management is based upon the idea of "force which struggles against the constituted power and asserts its autonomy by breaking all links with the central State, and sometimes as a form which manages a new economy" (Bordiga 1957). In the case of utopian socialists, the idea was to build "revolutionary communes" that would later spread to the whole society, while in the case of Yugoslavia, the idea was to set up a new interpretation of Marxism-Leninism and a new path to communism that would, in its opposition to the Soviet central state and bureaucracy, end up in a decentralisation of society masked under "withering away of the state." Of course, this decentralisation, in an economic and juridical sense, was marked by liberalisation and market ideology, because there was no other mechanism to stick with, while real political and economic power was still concentrated—like in the case of any other class society—in the hands of its ruling class. A lot of leftists here, like the Praxis group, while pointing out the mistakes and defects of Yugoslav self-management, still advocate "the real self-management" which is based on a real autonomy of producers and where workers really manage production and their workplaces. But the answer to the problem of capitalism was never in greater "autonomy" of the working class through workers' councils and management of production. The problem with workers' councils is much the same as with trade or industrial unions, which are marked with rank-and-file restrictions in dealing with problems of one small sector of production, presented in a single enterprise, instead of society as whole. Therefore, we cannot expect that

Also, one of the reasons for the destruction of unions was the unification of manual and intellectual workers in the Labour Front of the new "corporate state." The new role of unions became to organise "socialist competition and shock work, rationalisation and innovation (...) fight for work discipline, to improve the quality of work, to guard the people's property, to struggle against damage, against absenteeism, against careless work and similar things" (CPY in James 1986:81). They became the guard dogs of the "new" system, whose task was to secure work discipline and working class obedience. When it came to increasing the speed of production, the Yugoslav leadership used Soviet methods which had been proven in practice, such as Stakhanovism<sup>5</sup>. One such experience is described in a book *Prvi radnički savjet* (eng. *First Workers Council; 1985*) by Dragutin Grgurević, which describes how workers who raised production levels were rewarded much in the same way as Soviet Stakhanovites. Of course, production was organized on the principle of hierarchy in production. This continued with the 1947 First Five-Year Plan where Yugoslav leadership talked of "utilising working hours (...) progressive payments for work over and above the norm, as well as a system of premiums for engineering and technical staffs" (CPY in James 1986:84), incentive pay for the bureau-

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<sup>5</sup> Stakhanovism was a "trend" among Russian workers, called after Alexei Stakhanov, miner which, inspired by Stalin's speech from May 1935, excavated more than 102 tons of coal in just 6 hours, which was 14 times above his quota. Stakhanovists demanded that equal wages should be abolished and that workers should be paid on their merits. Appearance of this "trend" was followed with an increase in extreme wage differences, surcease in rationalisation and the beginning of production of luxury commodities. On November 15<sup>th</sup> 1935, the All-Russian Conference of Stakhanovists was held where they were declared, by Pravda, to be "leaders of the people" (Dunayevskaya 1942). Increase in Stakhanovist wages enabled them faster advance in society. Unlike them, regular workers found themselves in situation where it was harder and harder for them to buy goods they could afford during rationing. In Yugoslavia Stakhanovists were called "udarnici" (eng. outstanding workers).

cracy in order to inspire them to intensify exploitation of workers, etc.

In short, the CPY was a regular run-of-the-mill Stalinist party. And it was really one of the finest examples of Stalinist parties. As C.L.R. James put it, “Titoism has been able to achieve in a few short years the counter-revolutionary climax which it took Stalin nearly two decades to accomplish”(James 1986:79). According to him, Stalin had to struggle against the remains of the revolutionary Bolshevik tradition, while Tito and his followers had only to pledge their loyalty to him and they could easily justify all the policies for which Stalin had to struggle for decades. Good examples of that are the creation of “our people’s, our socialist intelligentsia” (James 1986:83), which Stalin managed to put into the 1936 Constitution of Soviet Union, while Tito did so after a few years in power.

Still, even today, many Marxists and different kinds of leftists deny the fact that Titoism was anything but a national version of Stalinism implied to Yugoslavia, as Maoism was Chinese Stalinism or Hoxhaim was Albanian. That pretty much puts the idea of “socialism in one country” under the eyeglass—especially its inability to bring communism as it, funnily enough, develops quite anti-communist sentiments. But to our Marxists and leftists, Titoism is something special and inspiring, because of the conflict between the CPY and CPSU in 1984 which resulted in the CPY being expelled from the Cominform and developing its “own” ideology of socialist self-management. In the next part of the article, I’ll examine the Yugoslav conflict with Stalin and the reasons for development of the ideology of socialist self-management which later become known as Titoism.

work, (...) state doesn’t alienate and arbitrarily disposes of surplus labour created by working class (...) that all workers have the real right of managing of work organisations in which they work” (Supek 1971:351). For him, self-management is the only model that can be used in developed Western countries—it is a balance between maximalism and statism; it is accepted by Marxist intelligentsia and academics around the World; it is the logical conclusion of working class offensives in Western countries and the logical conclusion of democratisation of conditions in production and chance for working class to get higher managing rights (Supek 1971:348–350). He accuses the Yugoslav leadership of choking self-management with a market economy and capitalist relations, for being Proudhonist and here he engages in an academic discussion about Proudhonist influences on the Yugoslav economy. But to attack the Yugoslav model for being Proudhonist, while defending the idea of “real” self-management at the same time, is an oxymoron. Is not the idea of gradual evolution from capitalism to socialism through networks self-managed workers’ cooperatives and enterprises the essence of Proudhonism? Proudhonism is essentially the idea of “socialism in one workplace,” an idea which proposes a local “solution” to a global problem. Actually, we can apply some aspects of the old Marxist critique of Proudhonism to Yugoslav self-management. Proudhon’s system was based on individual exchange, market and the free will of buyer and seller above all. In his critique of Proudhon, *The Poverty of Philosophy*, Marx analyzed how such a system is not anything but an apologia for and preservation of bourgeois economy. But, as Amadeo Bordiga notes, this individual exchange leads to exchange between factories, workshops and enterprises managed by workers and it is presented as a goal of socialism that the factory is run by local workers.

The idea of workers’ self-management was never a part of the Marxist tradition, but quite to the contrary, it was an ideology of various reformist currents within the workers’ movement, from anarchism, Bernsteinism, and syndicalism to the “new left.” Of course,

mostly were economic struggles for better wages and work conditions. Even though some workplace struggles, especially after the 70s, were connected with support of the bourgeoisie and demanded more economic liberalisation or other nationalist goals that would benefit their position, workers' struggles in Yugoslavia shouldn't ever only be reduced to that. A lot of workplace struggles were motivated because workers wanted to have a stronger role in managing their enterprise, especially wages, or because management tried to lower workers' wages to "save their skin." Here it is once again important to say that, in every industrial action, workers had to rely on themselves and on wildcat strikes, because unions were part of the state machinery. Unions in Yugoslavia were designed as institutions where the official ideology was presented to workers and through which the Party could control workplaces. In other words, unions had the same functions as they have in other capitalist countries or in today's countries of the ex-Yugoslavia, or anywhere in the world for that matter. Workers' councils also had similar functions. Since the LCY nominated managers and even the workers who could be in councils, it is quite obvious that they've tried to control them as much as possible.

Usually when leftists in their studies acknowledge certain mistakes or oversights of Yugoslav self-management, they end up concluding how we need "the real self-management" which would mark a successful transformation from capitalism to socialism. Yugoslav self-management always serves, if not as inspiration, but then at least as one of the biggest examples of self-management in practice. We can see that in works of Lebowtiz, Kovacs, but also in some of the works about economic democracy and direct democracy that were products of student or Occupy movements from 2009 onwards. Such positions were also advocated in Yugoslavia at one time. Intellectuals from the Praxis group, although they were critical of Yugoslavia, never rejected self-management as a concept. For Rudi Supek, the concept of self-management is not wrong because ". man-producer has the right to decide about results of his

## CONFLICT WITH STALIN AND BEGINING OF "DESTALINASATION"

After the Second World War, the CPY wasn't the only party which followed the "Soviet model." The Communist parties of Czechoslovakia, Poland, Romania, Bulgaria and Albania followed the same policies after they conquered power in their countries. In September of 1947, the CPSU, in the absence of the Comintern which Stalin had shut down in 1940, created an international political body which consisted of nine communist parties called the Information Bureau of the Communist and Workers' Parties (Cominform). At the founding congress of the Cominform, Andrei Zhdanov made a speech in which he said that today's world was divided into two "camps"—the western imperialist, with the United States of America (USA) as its leader and the socialist, with the Soviet Union as its leader. When it came to the "other" side, the USA came out with the Truman Doctrine in March of 1947, according to which the USA would give to every country, which was threatened by communism, military, technical and financial help. The same year, the USA came out with the Marshall Plan, according to which the USA would give financial help to European countries in order to help them develop their defensive capabilities against the Soviet Union and in order to help them maintain stability, i.e. to destroy working class resistance.

In this early political polarisation, Yugoslavia stuck strongly to the Soviet Union. In the diplomatic battle for Trieste and Istria, the CPY was counting on strong Soviet support, as was also the case with the first Five Year Plan (1947–1951). The leadership of the CPY was so loyal to the Soviet Union that Edvard Kardelj once said to the Soviet ambassador that the Yugoslav leadership saw Yugoslavia as one of the Soviet Union's future states, of course through economic and political contracts. This is why, when the CPY won power in Yugoslavia, the party leadership forced integration with the Soviet

Union much faster and broader than the Soviet Union initially demanded. This integration had its statist, political-economic and cultural aspects, and the beginning of integration was confirmed with the Contract about friendship, mutual aid and post-war cooperation of Yugoslavia and Soviet Union<sup>6</sup> signed on April 11<sup>th</sup> 1945. Similar contracts were signed with all Soviet satellites. At the CPY's demand, the Soviet Union had sent numerous experts to Yugoslavia, both civil and military, which were placed in important positions within the Yugoslav army, police, economy and state apparatus. But soon this "Soviet-Yugoslav idyll" would come to an end.

Tensions first rose during the Trieste crisis, in which Yugoslavia was in a dispute with Italy and the West on the delineation of borders in Istria and Slovenia and for the town of Trieste. On March 18<sup>th</sup> 1948, Stalin had withdrawn the Soviet experts who were working on resolving the dispute. Without Soviet backup, the Yugoslav political position was incredibly weakened. The day after, the Tripartite declaration was signed, in which the Free Territory of Trieste was assigned to Italy. The second tensions were related to Yugoslav support for the Greek partisans (1946–1949). Namely, the CPY wanted to create a so-called Balkan Federation and it was discussing it with the CP's of Albania and Bulgaria. Greece was also supposed to be part of the Balkan Federation, which is the reason why Yugoslavia supported the Greek CP and its partisans in their uprising. This support was mainly logistical, but also economic and military. In this struggle, Yugoslavia was also counting on the help of the Soviet Union, but the leadership of the CPY did not know about an agreement between the Soviet Union and Great Britain from October of 1944. According to that agreement, Greece was part of the British interest zone and the British government helped Greek royalist forces in their fight against the communists. Also, this agreement meant that the Soviet Union was

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<sup>6</sup> The Serbo-Croatian title is *Ugovor o prijateljstvu, uzajamnoj pomoći i posljernatnoj suradnji, Jugoslavije i SSSR-a*.

of the West. By recognizing that wage labour existed in Yugoslavia and concluding that the working class worked for wages, we have to ask the question of for whom did they work? Who paid the wages to workers? If we ask ourselves that question, we are assuming that Yugoslavia was a class society. This is of course the truth. The Yugoslav ruling class came from the technocracy and other bureaucrats that constituted the core of the LCY. Many leftists would say that we cannot talk about a Yugoslav ruling class because there was no private property over means of production. Well, they are quite wrong because private property, as class property, existed in Yugoslavia under the name of social property. The ruling class managed that property in the name of "working people" and appropriated its surplus value. When it comes to forms of private property, Yugoslavia is pretty much easier to analyze than Soviet Union, because its capitalist nature is quite easy to notice. In Yugoslavia different forms of private property existed, from social property, to individual private property in small enterprises, to joint property with multinational corporations, cooperative property in agriculture, etc.

What makes Yugoslavia easier to analyze is its dependence on the global market and movements of capital. As any other capitalist country, Yugoslavia was heavily affected by different capitalist crises (such as the oil crisis) and, especially towards late 80s, the Yugoslav ruling class responded to crisis much in the same way as other national bourgeoisies of the West: with austerity measures, sacking, privatization and bigger liberalisations of the market. Since Yugoslavia wasn't part of the Eastern Bloc it had to have deeper connections with the West, not just because of military protection in case of possible Soviet intervention (for example in early 50s), but mostly because it is impossible to have a self-sufficient economy in capitalism. This is why Yugoslavia participated in the world market in a full sense, just like any other capitalist country.

If we have a class system, sooner or later there will be class struggles. Yugoslavia did not lack for workers' struggles which

whole economic system the position which a capitalist occupies in relation to a single enterprise” (Dunayevskaya 1941). The bureaucracy did not create any new social mode of production – they’ve just continued to reproduce capitalist class relations.

Chattopadhyay also draws our attention to Marx’s concept of capital and its twofold existence—in a juridical and economic sense. When we are talking about the economic existence of capital, we are talking about social relations in production based upon the separation of labour from conditions of labour that bind wage labour and capital. The economic existence of capital has two sub-moments: an essential reality, where capital is a social totality, and a phenomenal reality, where capital exists as mutually autonomous individual capitals, i.e. fragments of capital as social totality. When we are talking about the juridical existence of capital, it is connected with proprietary relations of capital. Capital is here defined negatively, as non-property of workers, i.e. the private property of a class. This is a fundamental meaning of private property for Marx, even though jurisprudence doesn’t acknowledge it in that way. What jurisprudence acknowledges as private property is individual private property, as a specific form of private property of the capitalist class. Private property in its first, class sense exists, as long as capital exists.

Let’s look at Yugoslavia more deeply. Did wage labour exist in Yugoslavia? Surely it did. Workers were quite aware of the fact that they are working for wages, that someone else was taking surplus labour they produced and that the whole system was based upon wage earning. They were also quite aware of workplace hierarchy and wage differences between themselves and management and, in the end they saw themselves as wage earners. They were also aware that in other capitalist countries, such as West Germany where the majority of Yugoslav labourers immigrated to work, workers earned more than in Yugoslavia. If we take that into account, it is not so surprising that workers supported liberal fractions in the LCY which wanted to turn the Yugoslav economy into an image

supposed to give up on “communist” Greece, by not helping the Greek communists—not even during their uprising against British and royalist repression—in exchange for other political and territorial compromises. Besides these two examples, tensions between Soviet Union and Yugoslavia were growing because Yugoslavia did not agree to create so called “associated companies.” “Associated companies” were the main component of Soviet imperialism towards its satellites. They were created from joint capital—i.e. Soviet capital plus capital of the satellite country in which an enterprise was opened—but most of the profits were sent for reconstruction of the Soviet Union.

Because of its objections to Soviet wishes, the Soviet leadership accused the leadership of the CPY of “lacking of internationalism.” This conflict hit the ceiling with a Resolution of the Cominform from July 28<sup>th</sup> 1948 which stated that Tito was “a champion of Western powers,” that there was a need for changing the leadership of the CPY and a return of the CPY to the line of Marxism-Leninism. In a state of quiet shock, at the 5<sup>th</sup> Party’s congress, the Yugoslav leadership gave its support to Tito and his clique and voted against the Resolution. This caused an escalation in the conflict between the Soviet Union and Bulgaria and Albania, on one side, and Yugoslavia, on the other. Just a few years after the Second World War, Yugoslavia found itself faced with another possible conflict. But for Stalin, military intervention was the last option. He tried to secure his hegemony through CPY cadre which still pledged its loyalty to him and which opposed decisions from the CPY’s congress and supported the Resolution. These people were known in Yugoslavia as “ibeovci” and “Stalinists”<sup>7</sup> and they were repressed and perse-

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<sup>7</sup> While in the most of the text I use Stalinism as another name for Marxism-Leninism, when I refer to “Stalinism” in quotes I’m referring to denunciations which the Yugoslav leadership used against Soviet Union’s ideology and its followers in Yugoslavia. I’m using quotes because, in the case of Yugoslav leadership, their denouncing of the Soviet Union as “Stalinist” doesn’t have any material explanation or argument and it does not question fundamental concepts of

cuted by the Yugoslav system, which culminated with the opening of two concentration camps for them called “Goli otok” and “Sveti Grgur”<sup>8</sup>.

Conflict with the Soviet Union pushed Yugoslavia into isolation from the rest of the “communist” world. Soviet experts withdrew from Yugoslavia; the administrative system collapsed because of isolation; the economic crisis intensified, and there were great dangers of social unrest inspired by both ideological and economic reasons. The need for a theoretical explanation of the conflict, along with the greater economic and political crisis of Yugoslav system, resulted in what Yugoslav regime historians called “re-viewing of Marxism-Leninism and organising of ‘socialism in one country’”(Bilandžić 1974). According to Bilandžić, the CPY’s intelligentsia turned to the works of Marx, Engels and Lenin, especially Marx’s writings on the Paris Commune and Lenin’s State and Revolution. Through this, the CPY tried to “prove” how it was still on “the line” of Marxism-Leninism and how it was criticising “Stalinism” and the Soviet Union from that position. They argued that state ownership of the means of production is the lowest form of public ownership and it was really important to transcend it as soon as possible because it can lead to bureaucratism, i.e. the bureaucracy controlling surplus value and, by that, to the degeneration of “socialist society.” They saw the biggest problem in the Soviet Union precisely in bureaucratism, i.e., in the growth of a bureaucratic machinery, which allows bureaucracy to form quickly and to usurp the rights for which the working class struggled. To fight against this, the CPY’s intelligentsia proposed

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Marxism-Leninism, or Stalinism, as I’ve done so far and as I’ll continue in this article, since I don’t consider Marxism-Leninism as Marxism in the first place.

<sup>8</sup> “Goli otok” (eng. Naked Island) was the most famous Yugoslav concentration camp for leftist ideological enemies of the regime, usually “Stalinists.” This camp was primarily for male prisoners, while “Sveti Grgur” (eng. Saint George) was for females.

Experience (1994), Paresh Chattopadhyay looks back on comments from theoreticians such as Louis Althusser, Paul Sweezy, John Roemer and Charles Bettelheim. These theoreticians, in their own way, tried to dispute the possibility of a Marxist critique of the Soviet Union and similar regimes. Besides insisting on a division between “Marx’s Marxism” and “Lenin’s Marxism,” as Raya Dunayevskaya has put it, i.e., the difference between Marx’s doctrine and the Eastern Bloc’s reality, Chattopadhyay points out that Marx’s method is quite applicable in the making of such analysis. Marx considered his method as dialectical. The main criterion in the characterization of a certain economy, according to this method, is an analysis of social relations in production—how is surplus labour “pumped out” from immediate producers. It is popular to use Cold War rhetoric about the division of the World into “communist” and “capitalist,” but if we apply Marx’s criterion for analysis of social relations in production, we don’t have reason to believe that “Western capitalism” represents the only way of capitalist production. Quite the contrary, “whatever the different forms of manifestation of an economy, if the latter is based on labourers’ separation from the conditions of labour, necessarily rendering labour as wage labour, then the economy in question is capitalist” (Chattopadhyay 1994:6). Also, unlike Roemer, and many more, who claims that “social,” i.e., state, property of the means for production implies socialism, when Marx talks about the abolition of private property he’s talking about the abolition of class property, instead of individual property. There’s no insinuation in Marx’s texts that, in the case of “social” property, exploitation is eliminated. Exploitation will exist as long as capital exists, and capital can exist under private and “social” property. This view is also shared by Raya Dunayevskaya, who notes that, in the case of “social” property, it is important to state that the means for production are capital and how workers’ labour is still alienated from them in the form of commodities and services which are available to the bureaucracy. She concludes, “the Soviet Government occupies in relation to the



to sell their labour power as a commodity. Without this there is no such thing as capitalist production.” (Stalin 1981:710)

Also, since commodity production exists, the law of value also must exist, because, as Stalin says: “wherever commodities and commodity production exist, there the law of value must also exist. (...) It existed before capitalism, and it still exists, as commodity production, after the collapse of capitalism...” (Stalin 1981:713,727). In socialism, however, the law of value is limited by the “social” property of the means of production and by social planning of the economy. The law of value is, before all, a basic law of commodity production. The difference between capitalist and socialist commodity production is that “monopolistic capitalism doesn’t demand any profit, but maximum profit” (Stalin 1981:728), while the socialist law of value is defined by “securing the maximum satisfaction of constantly growing material and cultural needs of the whole society through continuous growth and perfecting of socialist production” (Stalin 1981:729).

The point of using Stalin here is not to call out the most notorious liberal boogiemer, but precisely the opposite – to show the influence of bourgeois economics of capitalism on both Soviet and Yugoslav systems and their ideologies. In both cases, we face revisionism of Marx’s basic concepts and ideas because, if we look at Marx’s analysis, we would quickly conclude that both systems were capitalist. Or we could comment using a bit of Marx’s wit on Proudhon’s account, which fits so well in this case, “we may well, therefore, be astonished at the cleverness of Proudhon, who would abolish capitalistic property by enforcing the eternal laws of property that are based on commodity production” (Marx 1947:516). In opening a discussion about the class nature of both the Soviet Union and – more importantly, at least for this article – Yugoslavia (was it a socialist or capitalist society, it is also necessary to comment on certain statements that come from the “Marxist camp” about how it is not possible to use Marxist analysis when analysing such systems. In his book *Marxian Concept of Capital and Soviet*

decentralisation of state power and repealing of hierarchical organisation inside of enterprises.

One of the first indications of the new ideological-political conceptions was Edvard Kardelj’s report *On peoples democracy in Yugoslavia*<sup>9</sup> (1949) submitted on May 28<sup>th</sup> 1949 to the National Assembly of Federal People’s Republic of Yugoslavia during the envision of Peoples committee act<sup>10</sup>. In this report, Kardelj was wrangling with the “Stalinist” understanding of power in socialist countries and he was advocating further democratisation and a greater role of the masses:

“There’s no perfect bureaucratic apparatus, no matter what kind of genius leadership stood at the helm, which can build socialism. Socialism can only grow from the initiative of masses of millions with the right leadership role of a proletarian party. Thus, the development of socialism cannot go any other way than the way of constant deepening of socialist democracy in the sense of greater self-governing of the masses of people, in the sense of their greater attraction towards the work of the state machinery—from lowest organs to highest, in the sense of greater participation in direct managing in every single enterprise, institution etc.” (Kardelj in Bilandžić 1999:316).

Kardelj also emphasized Marx and Engels’ analysis of the Paris Commune which pointed out the danger of bureaucratism after the proletariat’s victory over the bourgeoisie in the revolution, but also the “methods” which the proletariat can use to secure itself against bureaucratism. These “methods” are electability and changeability of all officials, a wage system which will prevent fighting for leading positions and about attracting the masses towards the state ap-

<sup>9</sup> The Serbo-Croatian title is *O narodnoj demokraciji u Jugoslaviji*.

<sup>10</sup> The Serbo-Croatian title is *Zakon o narodnim odborima*.

paratus, in the way, as Kardelj paraphrased Lenin, that everyone will be a “bureaucrat” for one period of time and by doing that nobody will be able to become a bureaucrat. This report gave a sketch for the idea of socialist self-management.

On November 23, 1949 Boris Kidrič and Đuro Šalaj signed Instruction on forming and work of workers councils<sup>11</sup> in which it was said that workers’ councils have to actively participate in the making of the most important decisions. However, this document stated that self-management should be introduced only in the biggest enterprises. On June 27<sup>th</sup> 1950, workers’ self-management was introduced by law with the Basic law on managing of state enterprises and higher economic associations by workers’ collectives<sup>12</sup>, popularly called Law on giving factories to workers to manage them or workers’ self-management act (Holjevac Tuković 2003:132). The first section of this law gave us a vision of Yugoslav self-management: “Factories, mines, traffic, transport, trade, agricultural, forest, communal and other state enterprises, along with other people’s property, in the name of community are managed by workers’ collectives in the framework of state plan, according to rights and duties identified by laws and other juridical regulations” (Jugoslavija 1985a:1023). According to the law, worker collectives exercised their right to self-management through workers’ councils and steering committees of enterprises or so-called “higher economic associations,” which consisted of several associated enterprises. The council was elected on a one year mandate, while council members were able to be recalled before the expiry of their mandate. The workers’ council consisted of between 15 and 120 members, except in the case of enterprises which employed fewer than 30 workers, where the whole collective was the council. It had an elected and revolving steering

<sup>11</sup> The Serbo-Croatian title is *Uputstvo o osnivanju i radnu radničkih savjeta*.

<sup>12</sup> The Serbo-Croatian title is *Osnovni zakon o upravljanju državnim privrednim poduzećima i višim privrednim poduzećima od strane radnih kolektiva*.

economical growth, and it is a commitment for body which made and it is a directive for all its organs. The Plan adds cooperation and solidarity to the market economy, limiting markets’ destructive functions. No wonder that Ernest Mandel wrote how Horvat “is much more an adept of the Cambridge school of welfare economics than a Marxist” (Mandel 1967).

But let’s compare the official positions of Yugoslav economic ideology, which are certainly not anything new, with official Soviet ideas about socialism in economic practice. In his text “Economic Problems of Socialism in USSR” (1952), which was actually a sketch for a Soviet economics textbook, Stalin debates with certain “comrades” who do not share his opinions on certain economic laws and solutions. In this text, Stalin claims that Engels’ formula from Anti-Dühring, according to which “the moment that society takes the means for production it its hands it abolishes commodity production and by that the rule of products over producers” (Engels in Stalin 1981:707), along with the abolition of certain economic laws, cannot be applied to the Soviet Union, because it had not developed the industrial capacities for “socialist production.” This is the main reason why the economic laws of capitalism, which Stalin, much like Horvat, is trying to present as universal laws of every economy, still exist in the Soviet Union. One of these laws is the law of commodity production, which shouldn’t, according to Stalin, be connected with capitalist production and which cannot be abolished.

“Capitalist production is the highest form of commodity production. Commodity production leads to capitalism only if there is private ownership of the means of production, if labour power appears in the market as a commodity which can be bought by the capitalist and exploited in the process of production, and if, consequently, the system of exploitation of waged workers by capitalists exists in the country. Capitalist production begins when the means of production are concentrated in private hands, and when the workers are bereft of means of production and are compelled

compete for every workplace according to his capabilities and qualifications” (Horvat 1989:29). And finally, “every member of society has the right to participate in the managing of production” (Horvat 1989:29). Also, social property implies a division according to work where income belongs to society and an individual can only appropriate income from work. The worker is exchanging the fruit of his labour with society for products of the same value as products he used to produce that labour. The market is the mechanism which grades individuals’ work contribution. But although a self-managing socialist system is based upon social property, it doesn’t exclude other forms of property such as private “property, partnership, cooperative property, contractual organization of associated labour and communal and state property” (Horvat 1989:29). Of course, profit is not anything alien to socialism, because while the capitalist system tends to maximise profits, a socialist system uses profit to satisfy the needs of its citizens. “As a social category, profit is, the same as a market, defined by the socio-economic system. Looking at it analytically, profit, or income, is simply the difference between income and expenses, production’s value and its costs” and “needs can be maximally satisfied only with maximization of production” (Horvat 1989:17). Horvat’s maxim is “maximization of democracy with maximization of efficiency” (Horvat 1989:21), i.e., it is necessary to make decisions in democratic way in order to avoid sabotage and lower productivity. He is applying a liberal definition of democracy according to which democracy is decision making by the majority, but with the “acknowledgment of minority rights” (Horvat 1989:21).

The difference between a “liberal capitalist economy” and self-managing socialism lies in the existence of a social plan. The plan has four functions: it is an instrument of predictions (its function is to make the most economical movements accessible to producers); it is an instrument of coordination of economic decisions (it makes directives only for state companies while the rest can just follow it as an economic direction); it is an instrument for the direction of

committee, whose job was to run the enterprise and to answer to the workers’ council and competent state organs. The director was an ex officio member of the steering committee. Ana Holjevac Tuković claims in her article “Socio-economical reforms 1950–1952 and their reflection on administration of Peoples Republic of Croatia” (2003) that although the Workers self-management act officially acknowledged factory councils, their powers were still limited by the Party. Operational independence, in this period, was exercised only in the field of technological and expert questions, while all material questions were dependent on the state’s policy.

One more step towards socialist self-management was established with the General Law on People’s Committees from 1952. People’s committees were defined in the first section of the Law as “local organs of state power (...) organs of people’s self-management in boroughs, districts and towns” (Jugoslavija 1985c:1025). This law established units of local self-governance, so called people’s committees, which were supposed to enable self-management on a local level. These people’s committees did have certain powers, for example, they were able to make budgets on their own (Section 14). The highlight of these legislative changes was the Constitutional Law on Basics of Societal and Political Association of Federal People’s Republic of Yugoslavia and Federal Organs of Power from 1953. The Constitutional Law constituted the political order in Yugoslavia which continued to develop in the next decades. Self-management became a fundamental part of the state. Self-management is mentioned in the 2<sup>nd</sup> section of the Law, which says that power in the FPRY belongs to “working people” who practice it through various organs of self-management. The 4<sup>th</sup> section states that the basis of the socio-political organization of Yugoslavia is “public ownership of the means of production, producers’ self-management in the economy and self-management of working people in boroughs, towns and counties” (Jugoslavija 1985d:1028). Producers’ self-management in the economy was further defined in the 6<sup>th</sup> section which states

that working collectives have the right to manage the economy directly and through worker's councils, agricultural cooperatives, assemblies, etc., and that workers have a right to choose and to be chosen in worker's councils. A very interesting part is about the right of an economical organisation (enterprise, cooperative etc.) to set its own economical plans, that, after finishing its duty, it independently disposes of the organization's income (the law even sets a minimum which must stay in the enterprise), that it can independently set the wages of its workers (the law even sets a minimum wage). Self-management of "working people" in boroughs, districts, towns etc. is established with the 7<sup>th</sup> section. Citizens choose and recall their representatives in the Producers' Council of the People's Committee of every town. Every citizen can choose and be chosen in People's Committees and they have right to participate in the "exercising of power" through referendums, voters' committees, citizen councils etc. Because of these two, economical and municipal, forms of self-management, the Yugoslav Federal National Assembly had two homes: the Federal Council and the Producers' Council.

One of the best examples of the CPY's theoretical explanation of the "new path" can be found in Bilandžić's article "Self-Management 1950–1974" (1974) where he claims that, because of following the "Stalinist" model, the CPY found itself at a crossroads where it had to choose between a bureaucratic and centralist system of management and the "revolutionary enthusiasm of the masses." According to him, the CPY took the side of the masses with its idea of the transformation of revolutionary socialist statism into self-managing socialism and with a resurrection of Marxist positions on the state. He wrote how the "new quality (...) was in the fact that the CPY switched from theory into revolutionary praxis by saying that the process of withering away of the state cannot be prolonged for the future—as Stalin used to say—but it must start right away, especially in the field of managing the economy" (Bilandžić 1974:23). Svetozar Stojanović,

tional sense, it means social property, a market controlled by a plan and a political system without the Party, i.e., radical political and economical democracy and division according to work" (Horvat 1989:12).

For Horvat, socialism cannot exist without self-management. In order for self-management to exist, the market, commodity production, division of labour, law of value etc. must exist or, as he puts it without any attempt at argument, the "[market] is necessary because without a market there's no self-management, and without self-management there is no socialism" (Horvat 1989:16). While discussing the "socialist market" he claims that "commodity production is not creating capitalism, but the reverse" (Horvat 1989:15) and how "every socio-economical formation had its own type of market which generated socio-economical relations of that formation" (Horvat 1989:16). According to him, we shouldn't ask ourselves if we should abolish the market, like old Marxists with "naive views" did, but what type of market fits socialism. In self-management, one of the most important things is the autonomy of workers' collectives. The market is really important because it is a "tool" against monopoly as healthy market competition destroys it. Still, market competition produces a certain alienation, which Horvat sees as a negative but inevitable outcome of a market system. Another "naive" and "childish" idea is to abolish the labour market. In socialism, the labour force is an economic input and workers "associate their labour where it is the most productive, i.e. where is the biggest income" (Horvat 1989:17). "In order for the market to function, the institution of property is necessary, because the basic purpose of that institution is to regulate the market of economic values" (Horvat 1989:38). Social property is a form of property which is necessary for socialism. Horvat writes that there are three reasons why social property does not exploit the working class. First, "every member of society has a full right to work" (Horvat 1989:29). Second, "every member of society has a full right to

Regarding ideological justifications of Yugoslav economic realities, Yugoslav communists claimed that the “law of value was an ‘objective economic law,’ influencing socialist societies as equally as capitalist ones” (Musić 2010:176). According to them, every action against the law of value leads to bureaucratism. Consequently, they believed that the market played an essential role in “socialist distribution,” since “exchange through the market, grounded in the law of value, together with collective ownership (...) provided the only objective criterion for socialist distribution” (Musić 2010:177). Because of “social property,” the worker is no longer the one that gets a wage from the state, but he is a part of the enterprise he works for. We can find these ideas systematically developed in the works of Croatian economist Branko Horvat who is considered, although he expressed strong disagreements with Yugoslav development after 1970s, one of the most important economic theoreticians of self-management and market socialism. In his book *ABC jugoslavenskog samoupravljanja* (eng. *ABC of Yugoslav Self-Management*, 1989)<sup>19</sup>, he criticized Yugoslavia for being “too statist” and proposed solutions for Yugoslavia to reach socialism. According to Horvat, statism, or “Stalinism,” is based upon a monopoly of political power and, in such systems, class exploitation comes mainly through political means, unlike in capitalism where this power is based on private property and class exploitation is mainly economic. His solution is socialism, which he defines as:

“order in which concentration of economical and political power is abolished and the possibility for abolishing economical exploitation is created. In that sense, socialism is a society of equal citizens. In an institu-

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<sup>19</sup> *ABC of Yugoslav Self-Management* is a book that Horvat thought of as a short account on Yugoslavia for Yugoslavs as part of his greater study *Political Economy of Socialism* (1983) published in English. *Political Economy of Socialism* is probably the most important book when discussing market socialism.

one of the members of the Yugoslav Marxist-Humanist<sup>13</sup> group Praxis, stated in his article “From Post-Revolutionary Dictatorship to Socialist Democracy” (1971) that “there is no real evidence that the historical process of the withering away of the state and transcending of politics as alienated power dominated by professional groups started [in Yugoslavia]” (Stojanović 1972:385), and he continued, “it is really naive to believe in that the state started to die out when the Party is still ruling” (Stojanović 1972:386). He claimed that the Yugoslav political crisis, which happened in the 60s and 70s, was rooted in the inability to radically “destalinise” Yugoslavia.

If we expand Stojanović’s critique with a little bit of Marxist class analysis, we can notice a certain “Yugoslav oxymoron.” On the one hand, we have the Yugoslav establishment’s attack on the bureaucratism of “Stalinism” and the alienation of the Soviet intelligentsia from its base, calls for de-professionalization of politics and the wider inclusion of the masses in the political process, especially in the economy, but at the same time the Party accumulated total political power, which strengthened its state apparatus, especially its repressive functions against the working class and political enemies. This “Yugoslav oxymoron” will be examined in a future text,

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<sup>13</sup> Even if it is common to put the *Praxis* group in the Marxist-Humanist camp, I oppose such a classification. For me, Marxist-Humanism is a tendency which is based around works of Raya Dunayevskaya, C.L.R. James and the so called Johnson-Forest Tendency, which politically shares really little, if anything, with the Praxis group. Even though members of the *Praxis* group were highly critical of the Yugoslav system, they did not share the Marxist-Humanist analysis of the Soviet Union and similar regimes, i.e. they did not support the theory of state capitalism. Also, I believe that no-one can say that there was political and ideological unity among members of the *Praxis* group, which explains that while some were trying to articulate some sort of Marxist critique of Yugoslavia, others turned to liberal ideas of “democracy” and “democratisation,” completely abandoning historical materialism and class analysis. The fact that the second current won can easily be seen from the last issues of *Praxis* which were completely dedicated to liberal “civil society” theories and which were dominated by articles of Croatian liberal-nationalist philosophers.

along with the whole system of self-management and its class character.

## YUGOSLAV SELF-MANAGEMENT IN PRACTICE

Charles Lindblom in his book *Politics and Markets* (1977) dedicates entire chapter to “Yugoslav innovations,” i.e. so called market socialism. Funnily enough, Lindblom explains why Yugoslavia developed market socialism by using Tito’s explanation where Tito is actually paraphrasing Adam Smith’s *The Wealth of Nations* regarding the division of labour in which he found the fundamentals of market socialism:

“backward, weak and small enterprises cannot participate in the international division of labour. That is why integration and complete specialisation in production are necessary so that production can be as inexpensive as possible, of the widest possible assortment, and of the highest quality” (Tito in Lindblom 1977:339).

Furthermore, Lindblom explains Yugoslav political reforms since 1952 when the Yugoslav leadership started to replace central direction with substantial central direction intermixed with market direction, until 1965 when a major reform was implemented. He claims that, since then, central administrative control in Yugoslavia has been “roughly of the same sort as is found in the market-oriented polyarchies<sup>14</sup>” (Lindblom 1977:340). Central administrative control is not achieved through a central production plan but by “ad hoc interventions through taxation, occasional

<sup>14</sup> Polyarchy is a term invented by Robert A. Dahl, which he used to describe forms of rule where power is in the hand of three or more persons. Polyarchy is a nation-state which has certain procedures which are necessary to implement the “democratic principle.”

nomical and political system. Liberalisation of the political system, and consequently abandonment of the “no-minority-no-majority” principle, together with the demand for the greater economical autonomy of republics, lead to the disintegration and finally collapse of Yugoslavia.

## SO, WHY CAPITALISM?

To claim that the Yugoslav economy was nothing but capitalism is not anything new. Stalinists all over the world were claiming that since Tito and Stalin broke up in 1948. One of the most popular texts on that subject is certainly *Is Yugoslavia A Socialist Country* (1963) written by editorial departments of the Chinese papers *People’s Daily* and *Red Flag* in 1963 after Nikita Khrushchev’s Soviet Union moved towards more friendly politics when it came to Yugoslavia. The Chinese Stalinists wrote that: “all Marxist-Leninists hold that Yugoslavia is not a socialist country. The leading clique of the League of Communists of Yugoslavia has betrayed Marxism-Leninism and the Yugoslav people and consists of renegades from international communist movement and lackeys of imperialism” (*People’s Daily; Red Flag* 1963:1). While this text is mostly directed towards the Soviet turn in politics and Khrushchev’s calling Yugoslavia an “‘advanced’ socialist country” (*PD; RF* 1963:2), what makes Yugoslavia capitalist can be summed up in the existence of private property and the abandonment of agricultural collectivisation, Yugoslav dependency on US loans and US imperialism in general. While these accusations make sense and certainly are reflections of Yugoslavia’s capitalist nature, they represent a weak and superficial critique, whose only purpose was to defend Stalinism as a political ideology, but also, more importantly, as political praxis. In this analysis, I intend to put forward a more fundamental critique of Yugoslav capitalism, a critique that will also include other Stalinist regimes.

liberals won a great victory in their battle for the greater political liberalisation of country. The really important thing is that unions and workers' councils, especially in these times of great crisis in Yugoslavia, always sided with liberal-nationalists who advocated liberalisation of market. They did that because they were sceptical towards the LCY's bureaucrats and directors they had to deal with in the everyday life of their enterprise and their attempts to reduce their rights and wages. While liberal-nationalists promoted ideas of market efficiency with their maxim "to each according to its work" (Musić 2010:185), workers believed that by giving greater economic autonomy to the republics and with greater profit staying in their republic, their wages would increase.

1980 was an essential year for Yugoslavia. Not just because of the world oil crisis, but because Marshall Tito died. Already in 1981, the Yugoslav government was on the verge of bankruptcy with more than 20 million dollars debt (Musić 2010:187). That led to "stabilisation programs" that increased competitiveness in the world market, but also led to a decline in wages of 30 percent. Considering "stabilisation programs," it is important to note that between 1979 and 1988, Yugoslavia signed six arrangements with the IMF, which later called for austerity measures, lowering of wages, a fall in production and in living standards (Lončar 2012:12). In 1988, Yugoslavia managed to retrieve its 1960s standard, but the crisis of the system was still enormous. In an economy oriented towards efficiency instead of the satisfaction of human needs, the Yugoslav elite saw a way out of the crisis only in the sacking of two million workers, while Yugoslavia already had one million unemployed. Since the elite had never made such drastic measures before, the crisis caused industrial insurgency. In 1980, there were 247 registered strikes with 13.507 workers participating, while eight years later, in 1988, the number of registered strikes rose to 1851 with 386.123 workers participating. These strikes were not merely products of economic struggle, but also political ones, where workers were again allies of liberal-nationalists demanding liberalisation of eco-

subsidies, specific regulations binding on particular industries and both central and 'national' (that is, provincial)<sup>15</sup> control over major new investment" (Lindblom 1997:340). Yugoslav enterprises produced what they found profitable to produce. The enterprise bought inputs freely on the market – both national and international. When it came to the national market, of course, there were other enterprises which are selling certain commodities and inputs which were used in the production of certain goods. The enterprise rented land from the government, but also from private owners. Also, it hired labour, but it is important to point that, above the minimum wage, workers received income in the form of shares in profits, which, of course, depended on their work. Like every other capitalist enterprise, a Yugoslav enterprise must cover its costs, like the minimum level of wages. It was free to look for new markets, to establish diversity of production, to apportion its profits between wages, collective benefits to its workers or reinvestment in the growth of the enterprise. New enterprises could be started by any individual or a group; even though usually they were mostly opened by units of local self-government or existing enterprises. After founding, all enterprises – except those small private ones with less than five employees – were turned to "social ownership." Also, certain Yugoslav enterprises were joined to certain foreign corporations and had mixed partial "social ownership" from the Yugoslav side and partial private ownership. To fight monopoly, the Yugoslav government used a whole spectrum of different methods, such as tariff reduction and removal of import restrictions. It is important to mention how Yugoslav legal formalism equalized producers and intermediary organisations (banks, markets, foreign trade companies), i.e. "those

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<sup>15</sup> With the term "national," Lindblom is actually referring to individual Yugoslav republics, i.e. Slovenia, Croatia, Serbia, Bosnia, Macedonia or Montenegro. It is a mistake to refer to them as "provinces," because Yugoslavia was a federation of "socialist" republics, but also because that could cause certain confusion since Serbia consisted of two "autonomous provinces": Vojvodina and Kosovo.

that produce surplus value and those that manage the disposal of surplus value in the shape of means of production” (Supek 1971:355). In conditions of market competition, that led to the monopoly of intermediary organisations.

It is also important to mention agriculture. Formerly collectivised, large parts of agriculture were now given to private holdings and farmers. 10–15 percent of arable land was in possession of state farms which were prominent in providing the supplies for domestic and foreign markets. This sudden turnaround from collective to private farming was justified, as Lindblom puts it, “as an expedient, necessary until such time as the development of the communist new man would once again make collective agriculture possible” (Lindblom 1977:341).

Trade unions were important participants in enterprises, often competing with workers’ councils. Yugoslav historians and ideologues often liked to emphasize, and so did Lindblom, that unions and workers’ councils were instruments “through which employees can defend their own occupational interests” (Lindblom 1977:341). Even Lindblom acknowledges how these institutions were “still also an instrument of party and government direction of enterprises and the work force” (Lindblom 1977:341). To justify this thesis, we can just take a look at statistics he presented. Between 1958 and 1966, almost 1400 strikes were reported, while none has been officially reported since 1968. Did workers’ struggles just stop because Yugoslav society reached the communist goal of a classless society or did unions just fulfil their institutional role in capitalist society—suppressing workers’ struggles?

Certain answers can be found in Tito’s text “On Workers’ Managing Economic Enterprises” (1950), where he writes that the state influence in the economy did not cease to exist, but it was weakened and it calls on workers to take on its functions. Tito emphasizes how the state will wither away gradually and the speed of its withering depends on the advance of cultural development. Cultural development is necessary because before the “revolution” in

(1921–1928). From the 60s, Yugoslavia was fully open towards the Western markets and it made several trade agreements. It is also important to note that Yugoslav decentralisation was highly supported by the International Monetary Fund (Musić 2010:180).

One of the big problems of the Yugoslav economy was unemployment. In 1965, unemployment in Yugoslavia was 8.8 percent which was around 326.000 workers. To solve this problem, Yugoslav leadership allowed workers to emigrate to Western Europe, mostly West Germany, which had work force shortages.

The 60s marked the crisis of “Yugoslav socialism.” Until 1972, there were big struggles inside Yugoslavia and attacks on Tito’s regime. The regime was attacked from different fronts. For example, inspired by the world’s revolutionary movements of 1968 and the writings of the Praxis group, Yugoslav students denied the communist nature of Yugoslavia and demanded “full communism”; in Kosovo, Albanians demanded to be treated as a “nation”<sup>18</sup> and demanded that Kosovo be acknowledged as a Yugoslav republic, instead of province; in Croatia, the 70s were marked by a “Croatian spring” nationalist movement which demanded further liberalisation and that more profits stay in Croatia, i.e., on the republic instead of the federal level. After these events, the Party was cleansed of nationalists, liberals and, more importantly, its left. 1974’s Constitution acknowledged the republics as the main body of political and economical discussion and negotiations within the Yugoslavia. This meant that, although rhetorically the Constitution made some changes in favour of “real workers’ self-management,” nationalist-

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<sup>18</sup> In Yugoslavia, when it comes to the national question, the ideology of “brotherhood and unity” and “no-minority-no-majority” prevailed till its last days. Behind that policy was a division on “nations” and “nationalities.” “Nations” were Slovenians, Croats, Bosniacs, Serbs, Montenegrins and Macedonians, i.e. “nations” had their own republics. “Nationalities” were actually national and ethnic minorities such as Albanians, Czechs, Hungarians, Germans, Italians, Bulgarians, Turks, etc. Kosovo Albanians were actually a really big “minority,” which is why they have constantly demanded that Kosovo become republic, instead of being an “autonomous province.”



– the law, and you couldn't get to the director to complain, because the pyramid was structured in that way. You could only see the director if his driver drove by you, but otherwise they were Gods." (ITAS 2012a).

All this is pretty much summarized by Susan Woodward:

"a primary goal of the introduction of workers councils in 1949–50 was to deprive the unions of their bargaining power (...) Elected representative of skilled production workers were to be consulted by managers on how to cut labour costs. The aim was to have workers accept limits on wages and benefits within enterprise net revenue, approve capital investment even if they cut into incomes and sanction dismissal of workers when required by budgets or modernisation programs. The essence of self-management (...) was this attempt to enforce incomes policies and financial discipline without state involvement or central regulation" (Woodward 1995:261).

The LCY, in order to impose better control over enterprises, over time evolved into an organization of managers and technocrats. That made workers really sceptical about joining the party. In 1960, half of the League consisted of bureaucrats while working class members were only one third.

Introduced in 1952, self-management was followed by extremely rapid growth and a rise of living standards. Between 1954 and 1964, GDP increased almost 9 percent a year, which put Yugoslavia among the very fastest growing economies in the world (Lindblom 1977:342). But what was behind this rapid growth? It was a rapid increase in means of production which was not followed by an increase in means of consumption. We could compare the extent of this growth with the USSR during the New Economic Policy

Yugoslavia the working class did not exist (sic!) and after industrialisation of undeveloped parts of Yugoslavia was implemented peasants become members of the working class. Because of that, it is important that the Party and state educate and raise peasants according to "values of socialism," so that they could evolve into a new working class and self-manage production. The leading role in this education of workers was up to the unions, which don't have to struggle for workers' rights like before because workers now "own the state," but the new task of unions is to educate workers so that they can manage society through workers' councils. Self-management is necessary so that bureaucratism could be avoided, because a system in which technocrats are managing the working class is "the greatest enemy of socialism" (Tito 1950:232). It is quite clear that the Yugoslav leadership used unions, as mass organisations of the working class, to establish systematic control deeply rooted in workplaces, so that any kind of industrial or class unrest was prevented. Unions were also allies of the political forces within the League of Communists of Yugoslavia<sup>16</sup> which were fond of extensive liberalisation of the market. For example, at 1957's Congress, they've asked for removal of state regulations, lower taxes, greater autonomy of enterprise for investments, etc. Younger party cadres were also their strongest allies, since they did not have the experience of the Second World War or the revolutionary wave of the 20s and they were inclined to liberal ideas.

Hungarian anarchist Arpad Kovacs writes that behind the idea of self-management was the belief that workers should set their

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<sup>16</sup> In 1952, the Communist Party of Yugoslavia renamed itself as the League of Communists of Yugoslavia. The reason for changing the party's name was Tito's idea that in socialism there was no need for a Communist Party, since "working people" controlled the state. Once "working people" controlled the state, the Communist Party had fulfilled its historical task. Also, CP's were vanguard parties of the proletariat, while "working people" were not just proletarians, but also craftsmen, peasants, etc—all of whom must participate in the construction of Yugoslav society.

own work day and decide the ways they'd produce something, etc., because, according to Tito, that was the right way to reach communism from socialism. Kovacs also notes how the workers' councils' function was to make decisions on most of the aspects related to management of the enterprise, while managers were in charge of planning and implementing the plan. The workers' council was superior to managers and it could choose and recall the steering committee or its individual members. Steering committees were made of experts that had previous management experience and the state would appoint them to certain enterprises. Being a manager in a steering committee was permanent employment, while workers' councils exclusively consisted of workers employed in certain enterprises. When it came to the process of managing companies, if we look behind the ideological curtains unfolded by the LCY, enterprises were managed by managers and not workers. Managers were subject to party control and they were instructed to pursue profits. They were also subjected to control through local government, banks, industrial chambers, professional associations and youth organisations. Even as the Yugoslav leadership denounced the Soviet Union for its bureaucracy and marked it as one of the biggest enemies of socialist development in almost every text, bureaucracy in Yugoslavia flourished with the "new course." The workers' council election of the steering committee was nothing but a mere formality and while, on paper, the Yugoslav leadership was calling for workers' participation in the steering committees, in practice, steering committees were professionalised, employing only university educated lawyers and economists, making for greater differences between workers and managers. Hierarchical relations in productions still remained. Initially, wage differences between managers and workers were 1:3.5 but from 1967

they rose to 1:20. In spite of all this, Michael Lebowitz remained a fan of self-management.<sup>17</sup>

I'd like to quote a worker from a self-managed metalwork factory from the north of Croatia whom I interviewed regarding a struggle in which he and his workmates participated. When I asked him about power relations between the director and the workers' council during Socialist Yugoslavia, he replied:

"In terms of managing, there was a workers' council. Members of the workers' council were elected from the list, and everything was according to the dictate of the LCY and every work unit had its branch. The League came with suggestions, which meant that nobody was allowed to protest against them. I remember how, in 1987, I was the first who protested in the front of workers against the League making decisions about who would represent us in the workers' council or in the central workers' council (...) It seemed that workers liked my protest so they elected me for our workers' council, because I wasn't a member of the League which until then were the only eligible people. Workers were motivated by this statement of mine as some kind of rebellion against the regime or who knows what, so they elected me and management had to accept that. That was the first time that workers chose who would represent them [in this factory]. It was presented to workers that they are managing, but they did not. (...) The director was, of course, the God

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<sup>17</sup> Lebowitz argues that while the party was imposing directors, workers' councils had certain autonomy to accept or reject directors and they used it. He also pointed to other bodies involved in managing enterprises such as workshop councils and special commissions, stating how certain researches showed how one third of workers in enterprise participated in one of the councils or commissions, how people used to rotate on their functions and how functions were limited to two year mandates (Lebowitz 2004).