

**Bogdan Denitch**

## **REFORM AND CONFLICT IN YUGOSLAVIA**

**Y**ugoslavia entered on the long, crooked road to political and economic reforms as far back as 1948–50. Starting without previous signposts, the Yugoslav Communists have been on it for four decades; thus, their experiences and errors are relevant to both communist and noncommunist reformers. Many of the economic reforms proposed in other countries have been on the Yugoslav scene for decades. A number of solutions tried in Yugoslavia—workers' self-management, political decentralization, freedom of travel, and an openness to the world—have been attractive to reformers elsewhere. This, despite the fact that each "solution" raised new problems.

It is a mistake to assume, because of the more radical language used by East European reformers, that Yugoslav economic reforms are less far-reaching. To the contrary, long experience with the market, no matter how limited, gives the Yugoslavs some critical distance from this newly fashionable notion. The Yugoslav economic reforms launched at the end of 1989 by Premier Ante Markovic give every impression of being both less draconic and more successful than those in Poland. The Yugoslav currency has been made completely convertible; that is, Yugoslavs can legally purchase as many dollars, marks, francs or lire, as they can afford. The black market in currency is dead. Within less than a month more than \$800 million was exchanged for the new "hard" Yugoslav dinar.

Whatever happens later, this bold surgical move against inflation was without precedent in communist-run economies. Wages have been frozen, in spite of objections from the trade unions. But they have been frozen in relation to the stable West German mark at

approximately 370 marks a month. That is, wages are frozen *and* effectively indexed. Incidentally, that figure should be a warning to all who take East European statistics seriously. All except the Yugoslav wage, income, and GNP figures are usually stated in the grossly inaccurate official exchange rates of the local currency. Those figures should be divided by four to ten to get the real numbers. To be sure, certain prices are also absurdly out of line with those of other industrialized countries. Clearly if these economies are to move into the world market, their prices will have to approach those of Western Europe.

When that begins to happen, the critical question will be that of wages. Unless they are indexed, a major drop in living standards in already poor societies will take place even without inflation. The problem is that most East European economic reform proposals are based on keeping wages low and using that single "advantage" to attract foreign capital. This is a short-sighted policy because serious investors in Europe go into countries with high wages and strong unions—into West Germany, Sweden, and Holland, not into southern Italy, Greece, and Portugal. A low-wage policy will guarantee labor unrest and strong independent unions, which can expect help from their West European colleagues. Yugoslav unions are already showing increasing militancy and, unlike Solidarity in Poland are not trapped into taking responsibility for economic austerity. Their role is to see to it that austerity is equitably distributed.

But the Yugoslav economy, while troubled, is less of a problem than the political system and the relationships between republics and national groups. Yugoslavia has shown a growing trade surplus for three years in a row; it has reduced its large international debts from roughly \$24 to \$16 billion. It has more than \$7.5 billion in reserves, giving it breathing space to absorb some of the inevitable pain

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*A fuller discussion of the prospects of Yugoslavia and Eastern Europe will be found in Limits and Possibilities: The Crisis of Yugoslav Socialism and State Socialist Systems, by Bogdan Denitch, University of Minnesota Press, 1990.*

of economic reforms and lessening its need for loans, that is, expensive money.

This is a strong performance in an area where the former star performer, Hungary, with less than 40 percent of the population of Yugoslavia, owes 50 percent more to international financial institutions. To be sure, the Yugoslav living standard has been falling or stagnating for five years, and there is considerable labor turbulence. Nevertheless the Yugoslav economy seems to have become a manageable problem, one in which change and improvement are possible. Alas, that is hardly the case for the East European regimes emerging from forty years of communist rule. Also, alas, the political situation in Yugoslavia is more problematic. Even there it is important to note the far-reaching political changes, with the League of Communists (the Yugoslav Communist party), or rather its reform wing, leading the way.

**T**he key to economic reforms is to stop the party's constant political meddling in the economy. Above all, that means getting the party out of personnel decisions. The crudest form of meddling was the legal requirement, repealed only last year, that leading personnel in self-managed enterprises had to be "morally and politically suitable," that is, politically approved. Although the law is now off the books, it is still being applied in Serbia and Montenegro and the provinces of Vojvodina and Kosovo. A massive purge of economic managers who did not enthusiastically support the president of Serbia, Slobodan Milosevic, has taken place. All independent-minded Albanians have been purged in Kosovo. In the fall of 1989 the successful and popular director of one of the largest enterprises in Yugoslavia, Genex, was forced to resign.

The present Serbian leadership played reckless politics with the national economy throughout 1989. It did this in four ways. The first was through its continued insistence that a "correct" political line on Kosovo and Serbian national aspirations was essential for managers. Second was through the systematic use of xenophobic social demagoguery by which the responsibility for the economic and political difficulties is always blamed on others. The "others" are of course everybody else, the Slovenes, Croats, Albanians, and Bosnian Moslems, all apparently joining in exploitation of the long-suffering Serbs. That demagoguery makes hard economic decisions on the federal level more difficult and politically dangerous. Third, a virtual state of siege is maintained in the province of Kosovo. Since the hard-line nationalist Serbian

leadership took over two years ago the situation in Kosovo—above all, Serbian-Albanian relations—has gotten worse. Lastly, the Serbian leadership has been attempting to destabilize the leaders of other republics, that is, to export its nationalist "anti-bureaucratic revolution."

**T**he Serbian leadership, however, is increasingly isolated and on the defensive. Its boycott of Slovenia is boomeranging. The federal government of Ante Markovic was able to get an overwhelming majority in the parliament, including the necessary three quarters of the republics and provinces, to pass its economic program. This meant that all five republics, including underdeveloped Macedonia, Bosnia-Herzegovina, and Montenegro, voted for the program. This is a reflection of the increasing political isolation of the Serbian leadership even from traditional hard-line republics like Bosnia and Macedonia—one of the penalties for the reckless games that have been played with real and imagined Serbian nationalist grievances. To be sure, by voting against a stern federal anti-inflationary program the Serbian leadership positions itself to ambush the federal government in case the economic program runs into difficulties.

A positive development has been the victory of the democratic reform wing of the Croatian party at its Congress in fall 1989. The Croatian reform Communists now join the Slovenes in coming out unequivocally for a pluralist multiparty electoral system—legalizing rival parties and unions, removing any restrictions on freedom of speech and organization—and for free multiparty elections in spring 1990. That means that the Yugoslav federal parliament will be a multiparty body even if the acceptance of multiparty pluralism does not spread to other republics.

But it will spread, inevitably. By January 1990 formation of new political parties had been announced in Bosnia and even in Serbia. At their congress in December 1989 the Serbian Communists took an equivocal position: On one hand, they are not for a multiparty system, arguing that pluralism can develop in a one- (or rather a non) party system, which used to be the official line of the Yugoslav party as a whole. On the other hand, they will "not use administrative means" to block a development of other parties. In short they will have to be dragged kicking and screaming to multiparty democracy. That will delay the evolution of parliamentary pluralism, because it means that vast resources in money, media, and organization will continue to be used to give the Serbian Communists a major

advantage over all others. Still, ending the direct administrative prohibition of other parties is a major step toward at least the kind of relationship that the PRI (Party of Revolutionary Institutions) in Mexico has with other parties. There are contests in Mexico, although often played with loaded dice.

**Y**ugoslavia is thus evolving toward a democratic parliamentary state that will probably remain essentially socialist. Why socialist, at least in the West European social-democratic sense? Because while Yugoslavia will move toward an increasingly mixed economy, the mix will still be heavily tilted toward social ownership of one kind or another, and because reform communist and democratic socialist forces and smaller allied parties will dominate the elections for a considerable time to come. This is because the Yugoslav Communists did not have to be massively confronted by an opposition in order to enact democratic reforms and because, historically, the Yugoslav Communists were not an instrument of foreign domination. And also because a substantial section of Yugoslav opinion favors some kind of (better) self-managing socialism, one without a Communist monopoly of power and one that allows a significant space for private initiative. There are fewer utopian dreams about the market and, of course, fewer utopian dreams about self-managing socialism as the solution for all the ills of an industrial society.

The Yugoslav Communist party's fourteenth congress in January of 1990 turned out to be the last congress of a unified party. The foot dragging on democratic reforms by the large bloc of delegates

from Serbia provoked a walkout by the Slovenian delegation. The congress aborted as delegations of other republics refused to continue meeting without the Slovenian reformers. A month later the Slovenian League of Communists declared formal independence from the League of Communists and agreed to face the voters in the spring elections as a democratic socialist party oriented to West European social democratic parties.

Because Yugoslavia is a federal state, the evolution toward a democratic political culture and institutions will by no means be even throughout the republics and provinces. In the United States, in many ways a much tighter federation than Yugoslavia, where states are not based on different national groups, there have historically been wide differences in the degree of respect for civil liberties, trade-union rights, clean elections, and political probity. Yugoslavia will be similar. There will be wide differences between the republics, and as far as democratic rights are concerned, within the republics between the urban and advanced counties and the backwoods ones. It will be possible to have a Yugoslavia, for example, where the Communists dominate in one republic, a coalition of democratic socialists and greens in another, and a coalition of non-socialist parties in a third. Provided that minimal democratic rules are agreed on—for example, that you cannot ban a party in one republic that is legal in another—and that individual rights have some protection from local and republic authorities—such a political system should be able to function. After all, that is not too different from the situation in the Federal Republic of Germany or Canada. □

### Go to the Devil

**P**rime Minister Yitzhak Shamir recently told the Knesset's Foreign Affairs and Defense Committee that he would talk even to Satan if it would advance Mideast peace—but not to the PLO.

Responding to a question by Labor's Shevah Weiss, Shamir said he opposed talks with the PLO not because of that organization's terrorist record—but because it aims to establish a Palestinian state. The prime minister also said that the *intifada* wouldn't change Israel's position even if it continues for ten years—it has now entered its third.

Columnist Nahum Barnea asked a Shamir source: for argument's sake, if Shamir did talk to Satan, wouldn't Satan, by definition, seek the destruction of the state of Israel, as much if not more so than the PLO?

No, the source replied, Satan would push the transfer—or forced expulsion—of the Arabs from Israel and the territories, the solution embraced by the Jewish radical right.

Ah, Barnea surmised, it would be OUR Satan.

*Jewish Frontier*  
Jan.-Feb. 1990