

Serbia's protracted transition under state-led and neoliberal models of capitalist development (1988-2008)

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Abstract

The transition to capitalism in Serbia proved to be a particularly stretched-out process extending over two decades. This paper argues that the Serbian socio-economic development since the late 1980s cannot be viewed through positivist interpretations of a straightforward path towards the ultimate goal of liberal democracy, but an open-ended historical transformation conditioned by the specific institutions built under self-management socialism, the relations of power between the former party bureaucracy and the working class, as well as Serbia's semi-peripheral position in the global capitalist system. The paper will summarize the main dynamics of Yugoslav self-management socialism; explain Serbia's peculiar first stage of pro-market transformation steered by a faction of the former communist elite during 1990s and finally describe the changes in transitional policies taking place after the adoption of neo-liberal model in 2000. The paper concludes that both models brought similar results and calls for social scientists to break with the dominant paradigms of modernization and open new vistas of social development.

Keywords: Serbia, workers' self-management, transition, economic crisis, deindustrialization

1. Introduction

The assumed transition from planned economy and one party rule towards a functioning market economy and liberal democracy proved to be a particularly stretched-out process in Serbia, extending over two decades and producing disappointing results. In the late 1990s Serbia was often highlighted as a textbook example of a failed transition. It was presented as an irrational, stubborn and slow reforming state ruled by the "Europe's last strongmen" (Vejvoda, 2000: 225).

More than a decade later, the overthrow of authoritarian regime of Slobodan Milošević and faster integration into the world market did not significantly change this overall negative impression of transitional processes (Mihailović, 2011).

The classifications of transitional countries are usually made in accordance with their ability to transform through a series of prescribed steps in order to catch-up with the economically most developed Western states. The process implies that transitional societies must adopt a functioning market economy, private ownership, integration into the global market, liberal democracy, civil society, etc. Along this path, countries are labeled as either success stories or failures that could not manage transition. In the case of Serbia, aspects such as perseverance of the old communist cadres, authoritarian and exclusivist nationalist state ideologies, rampant neo-traditionalism, extreme economic and political instability, mafia privatizations, black markets and corruption often suggested a failed transition and society still burdened with pre-modern features (Schierup, 1999: 1-32).

This discrepancy between the liberal democratic ideal and the realities of transformation along market lines motivated many scholars inside the country to try and define Serbian political and economic systems. Most analysts with liberal political leanings suggested some kind of a deception, a simulated transition staged by the old bureaucracy with communist economic and political mechanisms still intact. Stojanović (1997: 219-23) went to a great length in language acrobatics trying to describe the *pseudomorphosis* inside Serbia - a place where he saw only pseudo-democracy, pseudo-parliament, pseudo-privatization etc. What came into existence, he argued, was the regime of *demokratsura*, implying *nomenklatura* and *diktatura*, disguised as democracy. Similarly, Vejvoda (2000: 224-5) defined the transitional regime in Serbia during 1990s as ‘illiberal democracy’, an establishment in which it seems that “not only has there been no alteration in power, but there has been no substantive change or very meager change in the character of political power which remains strongly authoritarian”. To this very day the academic and popular discourses inside Serbia tend to view the post-socialist development through a series of obstacles, such as corruption, local mentality and political populism, which prevented the country from reaching the end of its transitional journey (Mihailović, 2011).

The research conducted by Serbian sociologist Mladen Lazić presents a noteworthy exception to the described pattern. Relieved from the pressure of pointing out to “missing” institutions and mechanisms present in the West, his work is oriented to the examination of changing class composition of Serbian society as it evolved from self-managed socialism towards a multi-party market economy (Lazić 2002, 24). Despite the differing theoretical approach, Lazić’s idea of a “blocked transition” does contain traces of the already mentioned teleological assumptions. This paper argues that the Serbian socio-economic development

since the late 1980s cannot be viewed through positivist interpretations of a straightforward path towards the ultimate goal of liberal democracy. In order to understand change along the overall transformational route one must pay attention to social, political and economic structures built under the Yugoslav path to socialism, which influenced the particular manner of regime change in the early 1990s. Moreover this process was conditioned by the relation of power between the two main agents of change, constituted under self-management socialism, the former party bureaucracy and the working class, and the way in which they responded to the critical junctures. Finally, building upon the theoretical insights of world-systems theory, it must be recognized that Serbia occupies a peripheral position in relation to the core nation states of Western Europe. Therefore, the impact of global economic trends on the local market in the making and political influence of Western governments on the local elites should also be taken into consideration.

In accordance with the analytical frame sketched above, the first section of the paper will describe the main social dynamics of self-management and the way in which the notion of “social ownership” and market incentives under planned economy opened the door for organic transformation toward capitalism out of the already existing institutions. The second and third sections deal with the specific features of state-led transition, developed under international embargo in the course of the 1990s. They explain the nature of the new ruling class in the making and the reasons for passivity of the industrial working class. The fourth and fifth sections shed light on the latest stage of transformation after the regime of Slobodan Milošević lost power in 2000 and the new governments started implementing conventional neo-liberal policies, opening the local economy to the world market. It will show how paradoxically this new model of market development only entrenched the negative economic and social phenomena unleashed during the 1990s, with deindustrialization continuing to be one of the main challenges for the working class. The last section concludes.

2. Yugoslav self-management between the plan and the market

The Yugoslav road to socialism, based on worker-run enterprises competing with each other and participating in the global market, entered into a serious economic and political crisis by the late 1980s. The abandonment of all efforts to build an alternative socialist modernity by the ruling bureaucracies in Eastern Europe sent a clear signal to the Yugoslav leadership that the strategic balance between two rival blocks and two socio-economic systems has come to an end. Reading the “signs of the time”, a fraction of the Serbian party bureaucracy and enterprise managers, under the leadership of Slobodan Milošević, attempted to

prevent the loss of their privileges by introducing radical political and economic reforms in the late 1980s.

The Yugoslav socialist state had its roots in the communist party inspired anti-fascist, mass movement from below, forged during the Second World War. This fact separated it from many other East European socialist states, whose founding was the result of the military advance and geopolitical influence of the Soviet Union. The popular social base and independence from Moscow made the local communist party elite flexible and prone to experiments (Denitch, 1976: 2). The Communist Party allowed a certain space for critical debates and proved able to integrate many opposition voices and reform suggestions into its official policy. The dividing line between dissident circles and the establishment in Yugoslavia was never as strict as was the case inside the countries of the Eastern Bloc (Dragović-Soso, 2002).

Similarly, horizontal cleavages between workers, on the one side, and the company management and party leadership, on the other, were also not as clear-cut as was the case in the Soviet Union and other command economies. The Yugoslav economic system combined elements of plan with markets and enterprise autonomy. The freedom of each company to pursue its own interests in the market created conditions for workers to identify their well-being with the company management against the state or rival companies. Conversely, once companies fell into financial problems, or the gap between the incomes of different occupational groups became too wide for socialist norms of income distribution, the workers could form an alliance with parts of the political bureaucracy and demand a rollback of market reforms and the powers of management. The system thus oscillated between market and political control over the economy (Turkish-Comisso, 1979).

This set-up enabled the top party bureaucracy to position itself as a kind of social glue, above the divided working class with an unchallenged political position and social privileges. The bureaucracy did not hand over direct command over the economy to the workers, but to individual collectives, focused predominantly on their self-centred business interests and standing in opposition to a centralized party-state apparatus. Without the structural ability to define class interest *via* their own, independent institutions, and exposed to stratification and competition between workers' collectives in the market, the workers were forced to leave the defining of that interest to the day-to-day political needs of the party leadership. The leadership, thus, defined the official class interest of the workers, as well as the nature of self-managing socialism according to its own needs. Accordingly, the two bedrocks of Yugoslavia's distinct path to socialism - workers' self-management and social ownership - carried ambiguous meanings.

In periods of strong pro-market orientation of the party apex, self-management was interpreted primarily as the freedom of workers in a single enterprise to make their own business decisions and maximize income, regardless of the wider social implications of their activity. In these times, the social ownership formula implied that the installed machinery and the income made with its usage, belonged to the group of people employed in the respective enterprise. Then again, in years when the party aimed for a greater role in planning in its economic policies, the emphasis was put on the class dimension of workers' self-management. At times of growing social inequalities and insecurity in the market, workers were encouraged to raise their voices against the privileges of the management and demand redistribution of income. In this case, the factories and their products were seen as belonging to society as a whole, rather than to a single work collective.

In the second half of the 1980s the economic crisis of workers' self-management and political strife between various republics reached their peak. For decades, the country based its development on the integration into the international division of labor. The global recession of the late 1970s hit Yugoslavia harder than any other socialist country. The increasing prices of raw materials, spare parts and components needed for the exporting industries resulted in the increase of production costs and loss of competitiveness. In 1980, the total payments for imported raw materials and components was 18 % higher than the total amount of export receipts in that year. In addition, the interest payments on loans were rising steeply and, by 1981, the Yugoslav government found itself on the edge of bankruptcy with over \$20 billion in foreign debt. The establishment was forced to give up its policy of independence in international politics and enter into debt reprogramming agreements with Western governments and economic reform programs under the tutorship of the International Monetary Fund (Stilhoff-Sørensen, 2009).

A series of "stabilization programs" were introduced in the course of the 1980s with the aim of improving international competitiveness and suppressing the galloping inflation. They consisted mainly of decrease in collective consumption and stricter market parameters for company performance. Self-management structures inside the factories were increasingly being seen as an obstacle to economic performance and market flexibility. The austerity measures placed the main burden of the reforms on the shoulders of the industrial workforce in the social sector of the economy. In the first three years of the decade average incomes had fallen by 33 % in real terms. By 1988 the standard of living for workers in the socialized sector was pushed back to the levels of the 1960s (Schierup, 1992: 86).

In this situation the Serbian Communist Party was able to put together a seemingly coherent program of economic and political reforms, by approaching

more towards the pro-market interpretations of workers' self-management. The new leadership brought the liberal economic impulses of workers' self-management in line with the neoliberal spirit of the time. More market influence was introduced under the slogan of expanding workers' self-management and increasing the autonomy of labor in relation to the state. Unlike the rigid communist party leaderships in East-Central Europe, a fragment of the Serbian bureaucracy was agile enough to try and adjust itself to the coming global changes. It allied itself with the enterprise managerial elite and tried to transform the privileged social layers under socialism into the new ruling class with full rights of property ownership.

3. The comrade capitalist

In 1990, the Yugoslav Federal government introduced the first privatization law. In the beginning, the radical reformist wing in the Serbian party, gathered around Slobodan Milošević, planned to keep the social property sector intact and boost its efficiency by opening doors for private investments and foreign capital similar to the Chinese model under Deng Xiaoping. Nevertheless, by the time the Soviet Union disintegrated and the spread of capitalism in Eastern Europe started to appear unstoppable, all ideas about the preservation of some kind of market socialism were put aside. In 1991, Serbia adopted its own privatization law. Similar to previous federal legislation, the Serbian law remained dedicated to organic development of full-scale capitalist economy out of the old structures of socialist self-management (Warner, 1990: 216-8). The link between the two was the concept of workers' shareholding. In late socialism, under the pressure of pro-market interpretations of workers' self-management, in the course of 1980s, social property was unofficially transformed into group ownership. Now, with transformation of socially owned work organizations into stock companies, collective ownership gave way to conventional private ownership (Bockman, 2011: 157-89).

Most Eastern European governments went about privatizing their state property either through direct sales or the so-called voucher privatizations, which transformed socialist enterprises into shareholding companies and allowed the general population to participate in this process by giving each citizen a tiny part of the shares with which they could trade on the stock market. The Yugoslav method of privatization was distinctive in the sense that the majority of the company shares was first offered for sale to present and past employees under preferential terms. Many workers used this opportunity to become shareholders of their factories. By 1994, 70 % of enterprises in Serbia entered the privatization process (Uvalić, 2001: 8). The main beneficiaries from this method of "insider buyouts" were not ordinary workers, but company management and other

investors who were in a position to amass larger sums of money through the misuse of social capital.

As Serbian society entered the 1990s, the faith in the reforms among the population had faded. The breakup of the country and the subsequent international economic sanctions caused economic havoc. Between 1989 and 1993, the total GDP declined by 40 %, whereas industrial production fell by a staggering 65 %. Total income per capita went down from 3 240 \$ in 1989 to 1 390 \$ in 1993 (Garfield, 2001:28). Under these circumstances, the main concern of the great majority of the workers switched from the success of reforms to bare survival. Facing economic collapse and hyperinflation, the Serbian government introduced amendments to the privatization law in 1994, which brought ex-post revaluation of the privatized capital. This measure pushed back much of the gains in ownership the individual shareholders had acquired up to that date (Vetta, 2011: 48).

The government realized that market transformation from below and full privatization was not possible in times of severe economic crisis, sanctions and war. In order to maintain a minimum level of production and the basic functions of the state, the Milošević regime was forced to put privatization process on hold, nationalize all the vital industries in the country and put them under its direct political control. Under his leadership, Milošević converted the League of Communists of Serbia into the Socialist Party of Serbia (SPS), the party which would remain in power for the next ten years. The political system took on the form of multiparty parliamentary democracy; however SPS retained absolute control over most levers of state power such as the army, police, state media and the official trade union federation.

4. Transition in slow motion

The slowdown of market reforms in the middle of general economic breakdown enabled the citizens still employed in the social and state sector to weather the storm and extended Milošević's rule as a result. As an alternative to mass lay-offs, the government introduced the so-called "forced leaves" (*prinudni godišnji odmori*), during which a worker received only a percentage of the wage. A person on forced leave did not lose the status of an employee and therefore retained access to free health care, subsidized public transportation, factory canteen and other perks of employment in the state sector. It is estimated that up to 40 % of total workforce spent some time on "forced leaves" (Arandarenko, 2001: 164). The quality of state services was decreasing drastically. The queues grew longer, nepotism became the norm and supermarket shelves remained empty for most of the time. Nevertheless, the bare minimum of something resembling a functioning welfare state was maintained even under war like conditions. Basic foodstuffs were heavily subsidized and rationed to the workforce through state

enterprises and trade unions. Medicine, electricity and heating were all scarce, but their prices remained low and state intervention made sure that those in need got access to them. The infrastructure inherited from socialist times enabled the maintenance of a minimal civilized standard of living for many members of the working class even in these hard times.

An adjacent element to the economic role of the state in those years was the informal sector. The majority of the workforce in socially and state-owned companies received additional income from supplementary jobs on the black market. Whether trading in gas, cigarettes or other scarce items smuggled under the wall of sanctions, running a small unregistered business, or simply selling behind improvised street stalls - workers made ends meet by reinventing themselves as small entrepreneurs or street hustlers. The state turned a blind eye to this type of grassroots street entrepreneurialism (Arandarenko, 2001: 164). Among the lower classes such practices served as a mechanism for survival and a specific valve for social dissatisfaction. For the former party and enterprise elites the existence of a parallel economic system, which feeds of the state and social sectors opened doors for accumulation of great wealth through illegal schemes (Palairat, 2001: 910-4).

The already flexible borders of market socialism had been firmly crossed by 1991 with the intention of transforming the society towards a functioning market economy with the institutions of a bourgeois nation state. The return of the economic role of the state in the following years was a pragmatic reaction to the chaos that ensued under mafia capitalism and international isolation. The preservation of social ownership and new nationalizations were not undertaken with the aim of going back to the old system or expanding the authority of the working class. On the contrary, the survival of the non-private sector, tightly controlled by an authoritarian political elite, and crisscrossed by burgeoning mafia networks, provided a unique framework for transfer of socially owned capital into private hands (Mladenović, 2014: 144).

Milošević's "blocked transition" (Lazić, 2002) helped build up a new capitalist class made up of former communist apparatchiks, directors of socially owned companies and war profiteers. A sociological research conducted by Lazić estimated that the roots of some two-thirds of the new entrepreneurial class created in Serbia during 1990s could be traced to the party bureaucracy and managerial layers of the old system. In other post-socialist states this number is set between one-quarter and one-third (Lazić, 2000: 1-64). On the other end of Serbian society, this slow motion transformation broke the industrial proletariat into pieces. Out of a labor force of 3.2 million, some 800 000 people were left without a job by the end of the decade (Arsić, 2013: 71). Even if some formally kept their jobs, many became declassed during the ten year-long struggles for survival. Most companies

continued to produce at minimal levels of output, with shorter work times or forced leaves. For many, retirement age came as they sat idle in the empty factory halls expecting better days. People who used to be skilled workers became declassified and could only find work in the informal sector. Others hoped to advance their social position by opening small private businesses. Many returned to farming and raising livestock as their main source of income. The Serbian working class managed to escape the direct blow of "shock therapy" which spread throughout Eastern Europe, only to face the alternative of a slow death by a thousand cuts.

The main challenge facing the Serbian economy during the 1990s was certainly the imposed international isolation. The broad trading, financial and political sanctions, spanning between 1992 and 1995, forced the regime to rely on "patriotic" businessmen and mafia networks in order to smuggle the basic imports and keep the industry running. In 1999 the political pressures of the main Western powers grew into a NATO military intervention. The damage of the NATO bombings pushed the economy and the living standards back to subsistence levels of the early 1990s. The government attempted to organize an infrastructure reconstruction campaign basing itself on the state-owned sectors and public works, only to discover soon that it had little control over the economy which matured into a system of mafia capitalism. The politically appointed managers of state companies sucked the capital out of the enterprises and corruption rendered efforts to manage resources and achieve results futile (Palairt, 2001: 912-3). In October 2000, mass demonstrations overthrew the regime and oppositional parties came into power for the first time since the introduction of the multiparty system in 1990.

5. Neoliberalism with a vengeance

Among the first laws passed by the post-Milošević government was the new labor law, which made collective bargaining optional and transformed the labor market to be more flexible. The new privatization law abandoned the model that favored company employees and switched to the more conventional ways of direct sales to one majority owner, supplemented by limited giveaways to workers and the general public. The post-Milošević political elite entered the new millennium under great pressure to catch up with Central and Eastern European states. In their eyes, the other former socialist countries were rushing along the path of capitalist modernization while Serbia stood frozen under Milošević. Liberal commentators hoped that this moment of radical discontinuity with the previous system could be used to finally implement "real transition", meaning genuine privatization, full opening to international markets, functioning institutions and the rule of law.

By this time, the first theoretical criticisms of the "shock doctrine" policies had already entered mainstream economics and political science. The ravaging effects of the policies of the early 1990s in Eastern Europe made scholars and politicians rethink the role of government in transitional processes. The anti-globalization movement was about to reach its peak in the highly industrialized countries and social mobilizations in Latin America gave birth to new governments, which rejected the orthodox economic policies of the past two decades. The new establishment in Serbia was completely cut off from these developments. Its protagonists came from a different world - the Serbian opposition circles of the 1990s, where anti-communist, nationalist parties and Western sponsored, liberal NGOs held a complete monopoly over the political discourse.

Every post-Milošević government opted for textbook neoliberal solutions in the economy. Any pretence at pro-active industrial policies was given up. The companies from the state and social sectors were targeted for rapid privatization. The local manufacturing was supposed to be restructured and made competitive by foreign direct investments. Allegedly all that the government had to do was create a business-friendly atmosphere and maintain strict monetary control - the markets would take care of the rest. This new economic outlook was greeted with almost the same enthusiasm from potential foreign investors, as well as some local capitalists, who were ready to join the international flows of capital. Cocooned for a decade under Milošević, the most successful local businessmen grew too large for the tight markets of SPS-supervised state capitalism. In order to expand and legitimize their business, the ruling class in the making required access to international banking credits and the political green light for the buying up of profitable state companies. Milošević was cast-off and money redirected toward the former opposition parties. The up-and-coming peripheral bourgeoisie therefore discarded the SPS solely in order to have a whole range of political parties serving its interests.

Around the time that Serbia started with fresh efforts to integrate into the world economy the global markets had entered a recession. For more than two decades, the most advanced capitalist countries maintained their growth rates through the extension of household credit and speculative financial bubbles. For a moment, it seemed the bursting of the dot-com bubble, in 2000, could mark the end of the neo-liberal era. Nevertheless, fatal predictions proved to be hasty. The credit-laced global economic upswing continued for eight more years.

This was especially the case in the countries of Eastern and Central Europe, where financial capital found fertile ground for investment after a decade of liberal economic reforms and decline in the general living standards. The value of real

estate went up and local banks were eager to give out credits denominated in foreign currencies (Gareth and Hardy, 2011: 252).

The new authorities in Belgrade did not hesitate to jump on the moving train. In 2002, the government closed down the four largest state owned banks and handed control over the financial sector into the hands of foreign banks. In the past decade, the Central Bank resorted to printing money in an effort to keep state companies alive, despite the plundering by the management and the political elite. This practice led to hyperinflation and the impoverishment of large layers of society. Playing on the widespread fear of inflation, the new government adopted a restrictive monetary policy as the cornerstone of its economic policy. The high interest rates attracted foreign credits and speculative capital from abroad.

Another thing that made the inflow of foreign capital possible was the sale of the most profitable state sector enterprises. The resulting buildup of foreign exchange reserves enabled the maintenance of a strong dinar, a rise in the demand for imports and access to ever more credit. This model of growth based on the stable exchange rate, expansion of credit and a consumer boom swelled the profits of banks, import companies and Western exporters. Between 2001 and 2008, Serbia recorded an average GDP growth rate of 5.4 %. In the four years of the most intense boom, 2004-8, real wages rose by 10 % annually (Upchurch and Marinković, 2011: 236). While giving the new establishment some breathing space, this opportunistic model of growth prolonged many negative trends from the previous decade.

6. Deindustrialization

The initial promise of neoliberal strategists was that the entry of foreign capital and privatization would restructure and modernize the industrial sector. In their vision, attracted by Serbia's comparative advantages, multinational companies would finally undertake the necessary changes the state was allegedly not able to make. They would buy up the manufacturing businesses, make them competitive through a cycle of fresh investment and start exporting to the world market. On the other hand, unlike the politically appointed managers of the Milošević era, the new local private owners would put an end to the plunder of the capital accumulated during socialism and put the machines to good use. By making common sense analogies with everyday life experiences, many workers tended to agree with this logic. Just as a worker takes care of his/her own house, the new owner would supposedly have an interest in maintaining the factory in good order.¹ After an exhausting ten years of economic decline under the system

¹ By the late 1980s, there was a great shift toward the ridiculing and belittling of social property as the cause of economic hardships in Serbian society. Private ownership was emerging as 'natural' and

of protracted state and social ownership, it was time to test the creative powers of market incentive.

Private entrepreneurs often excel in spotting temporary opportunities for profit extraction, but laying down the foundations for long-term macroeconomic development is a different matter altogether. Left to their own devices, multinational companies, local tycoons and a whole array of smaller businessmen created a dystopian society, which had more in common with the previous decade of wars and sanctions rather than the bright capitalist modernity, once envisioned by anti-Milošević activists. Foreign corporations bought up the monopolies and safe profit makers such as the banks, petroleum refineries, breweries and tobacco manufacturers. The large Serbian capitalists positioned themselves as middlemen between Western exporters and local consumers. Taking advantage of the strong local currency and credit expansion, they focused on buying import companies and retail chains. The banks also played it safe. They used the opportunity to charge high interest rates for consumer credit and speculated on the real estate market, with little interest for long term developmental investments.

This left the majority of smaller and medium sized enterprises in the hands of local entrepreneurs with no experience in the running of industrial facilities. With fortunes made during the mafia capitalism of the 1990s, these investors had no intention of reviving production. Instead, they counted on scavenging the leftovers of the social sector. Around 25 % of all privatizations have been annulled because the new owners did not fulfil their obligations arising from the privatization contract (Vujačić and Petrović-Vujačić, 2011: 101). The plan of the investors was usually to suck the undervalued capital out of the companies through dubious schemes. In cases when the company was built on an attractive location, they aimed to dismantle the plant, get rid of the workforce and sell the factory grounds as real estate. As a result, even the diminished levels of production maintained in the previous years, came to a halt. The workforce of these companies ended up in limbo - they were not unemployed, yet their workplace ceased paying their wages or social security contributions. It was not unusual for a factory to be privatized two or three times in a row, just to find somebody willing to organize something resembling normal work processes.

The short economic boom in the banking sector, telecommunications and trade took place primarily in the big urban centers of Belgrade and Novi Sad. This display window of progress enabled the politicians and media to ignore the deindustrialization in provincial cities. After twenty years of transition, Serbian industry is still not able to reach one-half of the value it produced in 1990. It is

economically far more efficient than other forms of property. The working class did not remain immune to such interpretations. For instance, see the interviews with Pančevo brewery workers conducted by anthropologist Ildiko Erdei (2007: 96).

estimated that Serbian industry today employs 35 % less people than it did during the last years of self-management. In 1990, there were 682,000 workers employed in large industrial systems. In 2007 their number dropped to 127,000 (Jakopin and Bajec, 2009: 515). Before the transition, manufacturing made up at least 30 % of total GDP. In 2008, this share has gone down to around a meager 16 % (Jakopin and Bajec, 2009: 514).² In 1990, industrial plant capacity utilization stood at 70 % (Dyker, 1990: 68). For the economists of that era, this was the ultimate proof of the inefficiency of the crisis ridden socialist economy. Under the *laissez-faire* ethos of transitional Serbia, however, the plant capacity utilization index dropped down to a staggering 43.4 %.

With the abandonment of the social safety net in the form of "forced leaves", unemployment spiked in the initial years of reinvigorated transition. By 2005, the unemployment rate soared to more than 20 %. It had sunk moderately by 2008, but this was mainly due to changed statistical criteria and increased retirement rates (Arandarenko, 2011: 23). In situations where it was not able to revitalize the blocked factories or open new work places, the government engaged in the creation of various improvised social programs for the workers. One of the chief methods for taking care of the "superfluous labor" were programs which enabled workers to bridge over the work years they lacked to qualify for retirement. Others were encouraged to leave workplaces and start small private businesses with the help of severance packages. Nearly 28 % of total employment in 2002 was in the informal sector and this percentage increased to 35 % by 2007 (Krstić and Sanfey, 2010: 17). Therefore, the main strategies for facing the crisis focused on different ways the workers could exit the official labor market, rather than fighting for the maintenance of their jobs.

Despite the negative aspects discussed so far in Serbian economy, the general standard of living improved slightly in the post-Milošević era, through the stabilization of basic public sector companies, regular payment of pensions, a booming private service sector and the expansion of credit and trade. The percentage of citizens living below the poverty line approximately halved from 14 % in 2002 to 6.6 % in 2007 (Krstić, 2008:10).³ Basic infrastructure and services improved somewhat and supermarket shelves became full with imported products.

² If one adds mining, building construction, energy and water, the total share of industry in Serbia's GDP goes up to 21.8 %. The EU average is 24.9 %, whereas in Central Europe, the so-called successful transitional countries, such as Slovakia or Czech Republic, this ratio reaches a significantly higher level. During the most recent economic boom industrial production usually contributed more than 40 % of total value created in these economies.

³ All persons whose consumption per adult equivalent was lower than the poverty line on average, which amounted to 5 234 and 8 883 dinar monthly per adult equivalent in 2002 and 2007 respectively, were considered poor.

A tiny layer of urban professionals, employed in the branches of foreign multinationals and local corporations, was created and became the flag bearer for further liberalization. The wages of state employees in health, education and administration rose faster than inflation. Yet, for the great part of the traditional working class, the regular job was still not a sufficient source of income. In order to make ends meet, workers continued to rely on the informal sector, severance packages, seasonal agricultural work and remittances from family members employed abroad. Many among the younger generation opted for a life of inactivity or emigration.⁴ For the industrial working class there was no stabilization, no rejuvenation, no settling under new circumstances. A great part of the population is still living in a permanent crisis and was forced to adopt an infinite number of makeshift solutions, making any type of sustained political engagement from below hard.

7. Conclusion

For Serbia the hope of renewed modernization push along the market lines, which would enable the society to go over the quagmire of slow growth in late socialism, proved to be a pipe dream. The first stage of social transformation, implemented during 1990s, placed its hopes on the new domestic capitalist class allegedly able to insert entrepreneurial spirit into the out-of-date self-managed enterprises and its demoralized workforce. As it turned out, the semi-peripheral capitalist class in the making was unable to build up a national economy and act in accordance with long-term interest. The state and its institutions evolved into mafia capitalism whose main activity was plundering of the value created in the previous decades. Even if one imagines the theoretical possibility of a different kind of national bourgeoisie which would be determined to advance the local productive forces, the pressures of the world market and imperialist powers remain an obstacle to wholesome socio-economic development on the semi-periphery. The regime of Slobodan Milošević was placed under international sanctions and finally exposed to open military assault in 1999. During the following decade, when local power holders were sidelined and economy became wide open to foreign multinationals, the social dynamics and their end results were not fundamentally different from those in the 1990s. The country is stuck in a political, social and economic crisis with little enthusiasm for further advancement of market reforms among the population.

⁴ A sociological study from 2003 has revealed that in Serbia 77 % of young (17-24), 64 % of middle (25-30) and 41 % of older (31-35) young citizens live in their parents' home. See Tomanovic and Ignjatovic (2006: 269-85).

How do social scientists explain this development and what alternatives do they propose? The fall of communism opened the door for a partial return of the classical modernization theory developed in the 1950s according to which developing societies follow a linear evolutionist trajectory towards the replicated models of liberal democracies and market economies found in the West (Blokker, 2005; Stilhoff-Sørensen, 2009: 181; Holms, 1997: 38-41). These approaches are profoundly a historical as they fail to appreciate the inherited cultural legacies and structural specificities, which influence current transformations. Moreover, they deny the creative power of social agents. The dominant interpretations in Serbia today keep calling for more consistent application of the custom-made policies suggested by the economically most developed countries in the world, thus giving ideological credence to the overall path of development implemented in the late 1980s.

The classical modernization theory was discredited in the 1960s and 1970s by showing how dependency on the core states often led to authoritarianism, underdevelopment and chronic instability in the periphery. As already mentioned, a similar intellectual resistance to the post-1989 triumphalist mood of free market apologists, took place in late 1990s with the spread of anti-globalization movements and the change of political landscape in Latin America. This wave of critical reflection of the ruling paradigms never took place in academic and popular discourses inside Serbia. The task in front of progressive researchers in Serbia today is to broaden their horizons by breaking with official canons of transitology and (neo) liberalism. In order to be successful, the project of renewed modernization could potentially base itself on those classes whose fortunes are inescapably tied with long term, sustainable development of society as a whole. For this alternative modernization effort to succeed, blind market forces and profit incentive, as the principal determinants of economic activity today, would have to be replaced by conscious decisions of the producers and consumers. Likewise, economic exchange beyond country borders could be redirected from liberalized trade with the most advanced capitalist economies to regional and international initiatives governed by principles of solidarity and cooperation.

In case these postulates seem abstract, pointing out historical examples of alternate paths to development in the region could make them more concrete. Since the 19th century, for the most part of its existence as a modern nation-state Serbia was stuck in underdevelopment, lagging far behind the main trends of European capitalist modernity. It was only in the three decades after II. World War, when the Serbian society went through its most vigorous economic, social and cultural progress that the country managed to modernize and decisively break with its semi-peripheral status. This was accomplished by paving a path to development, standing largely in opposition to conventional solutions, traditionally

promoted by the most developed capitalist countries. It was the political project of regional unification (Yugoslavia), setting up of an ambitious economic plan of development independent of the private sector and the market, the idea of economic democracy and control of the influence of world market on domestic economy. It remains to be seen how these principles could be implemented today. As usual, social scientists can offer extrapolations, construct models and try to influence the policy makers. It is the actual social practices beyond academia, which will ultimately decide the direction of future developments.

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Özet

Sırbistan'ın kapitalist kalkınma modeline sürüncemeli geçişinde devlet öncülüğü ve neoliberal modeller (1988-2008)

Sırbistan'da kapitalizme geçiş yirmi yılı biraz aşan sıkıştırılmış bir zaman diliminde gerçekleşti. Yazar Sırbistan'da 1980'lerin sonundan itibaren yaşanan sosyo-ekonomik değişimin ilerlemeci bir yorumla, uzun erimli liberal demokrasinin inşa edileceği doğrultusunda yorumlanamayacağını, bu sürecin özyönetime dayanan sosyalizmin kurumlarının şartlandığı açık-uçlu bir tarihsel dönüşüm niteliği taşıdığını, eski parti bürokrasisi ile işçi sınıfı arasındaki güç ilişkisi ve Sırbistan'ın küresel kapitalist sistem içinde yarı çevreye konumlanmasıyla bağlantılı olduğunu ileri sürmektedir. Bu makalede Yugoslavya'da özyönetime dayalı sosyalizm modelinin dinamikleri özetlenmekte; ilkin serbest piyasa modelini savunan bir grup eski komünist seçkinin 1990'lı yıllarda bu süreci başlattığının altı çizilmekte ve son olarak 2000 yılında benimsenen neo-liberal modelin nasıl uygulandığı betimlenmektedir. Yazar sonuç olarak iki modelin de benzer sonuçlar ürettiğini ve sosyal bilimcilerin başat modernleşme paradigmaları yerine yeni sosyal gelişme modellerine yönelmeleri gerektiğini ileri sürmektedir.

Anahtar kelimeler: Sırbistan, işçi özyönetimi, geçiş, iktisadi kriz, sanayisizleşme.