

## 9

## Yugoslavia

## Workers' Self-Management as State Paradigm

Goran Musić

Struggles for workers' control in the twentieth century have usually been linked to ruptures of state power and the ruling paradigm, whether of the capitalist or state socialist variety. As a rule, creative initiatives for direct participation arrive at their pinnacle in the relatively short periods of dual power—the time spans between the rapid decay of the old order and the stabilization of the new regime. These initiatives are therefore connected with the broader emancipative movements from below and possess the ability to preserve their autonomy from the state.

The experience of Yugoslav self-management is somewhat exceptional as it is closely identified with the official state ideology of social organization spanning across four decades. A successful modernization effort and rising living standards opened up political space for the socialist authorities to experiment with a system of self-management inside Yugoslavia, a country encompassing extensive cultural diversity<sup>1</sup> and uneven degrees of economic development.<sup>2</sup> Due to these historical circumstances, the most appropriate context for examination of the different phases of Yugoslav workers' self-management would be the continuity of state institutions rather than the labor movement itself. Of course, recognizing the primary role of ruling structures in the shaping of the Yugoslav self-management system should

1 The six republics comprising post-World War II Yugoslavia were Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, and Macedonia. In addition to the six main nationalities, the federation also recognized a number of national minorities. In 1974, Vojvodina and Kosovo were granted the status of autonomous provinces inside Serbia.

2 The economic profile of the country was as heterogeneous as its demographics. By the 1980s the per capita income of Kosovo was only 72 percent of that of Slovenia, with similar regional disparities in the levels of unemployment.

not lead us to overlook another major factor in the process: the reactions—whether acceptance or resistance—of the working class to governmental policy shifts, especially at crucial historical turning points on the “Yugoslav road to socialism.”

The Yugoslav self-management project is inseparable from the insistence of the Titoist revolutionary leadership on the rights of the socialist states, following World War II, to seek their own paths of development, independent from the model endorsed by the Soviet Union. The popular character of the antifascist Partisan movement<sup>3</sup> and its successes in liberating the majority of the country without the help of the Red Army had set the Yugoslav and Soviet Communist parties on a collision course early on. Several factors contributed to serious strains in Yugoslavia's relationship with Moscow, among them the territorial claims of the postwar Yugoslav government in parts of Italy and Austria, attempts at regional alliances with Albania and Bulgaria, Yugoslav support for the leftist guerrillas during the Greek civil war, and the perception that the arrangements the Soviet Union was making with the newly established “people's democracies” in Eastern Europe were unfair. All these, combined with what David A. Dyker describes as the “general tendency of the Yugoslavs to keep doing things off their own bat” (1990, 18), culminated in the expulsion of Yugoslavia from the Cominform in 1948.

## In Search of the “Yugoslav Path”

The unexpected purge from the official international Communist movement forced the Yugoslav leadership to differentiate itself and to legitimize the Partisan revolution through a critique of the dominant Stalinist concept of state and economic organization. Former Partisans took the time to carefully reread the Marxist classics and found inspiration, particularly in Marx's writings on the Paris Commune and Lenin's *The State and Revolution*, for an answer to the basic question, simplistically formulated by Milovan Đilas,<sup>4</sup> as to “why Stalinism was bad and Yugoslavia was good” (Rusinow 1977, 50). The Yugoslav Communists came to the conclusion that state ownership of

3 During the World War II Nazi occupation of Yugoslavia, the resistance movement, organized by the Communist Party, emerged as the strongest antifascist force on the ground by skilfully combining popular appeal for national liberation with calls for social reform. As the only political and military faction that effectively crossed ethnic lines within the population, the Communist guerrillas, popularly known as the Partisans, had by the end of the war evolved into a conventional army, with eight hundred thousand men and women under arms.

4 Milovan Đilas was a member of the Politburo and the minister of propaganda. In the mid-1950s Đilas turned into a dissident and started to develop the critique of what he saw as the “new class” inside Yugoslavia, comprised of the Titoist leadership.

the means of production was simply the lowest form of social ownership, which, if not transcended soon after the revolution, would lead inevitably to centralized control by the state bureaucracy of the produced surplus value and thus to the establishment of state capitalism. Decentralization of state power on the macro level and the abolition of hierarchical organization inside the single enterprises were identified as two main measures for preventing the Soviet mistakes and reviving the process of the "withering away of the state," as had been envisioned by Marxists prior to Stalinist revisionism.

Apart from vague references to the Paris Commune, the Yugoslav Communists were nevertheless reluctant to connect their new course overtly with historical instances of grassroots democracy in other countries or the associated alternative socialist traditions. The experience of workers' council movements during the Russian Revolution or the Spanish Civil War continued to be interpreted in the glorified orthodox manner of the country's Communist historiography, reflecting the origins of the Yugoslav leadership in the Stalinist purges of the 1930s as well as the attendant need to justify the initial statist course of the revolution. The official line was that the model of administrative planning utilized up to that point was a necessary first step in the channeling of resources and raising the rate of accumulation, which prepared the ground for the new phase. The self-management ideology was thus interpreted within a national framework—as an application of Marxist ideas to the given stage of development and specific conditions of Yugoslavia, not as a universal alternative to Stalinism or as a continuation of the initiatives of worker democracy seen in the previous decades.

However, in the years to come, the official Yugoslav interpretations would be keen to establish continuity between this radical shift of the ruling paradigm and the democratic forms of organization established during the revolution. Even though the wider political mobilizations and self-initiative of the masses in World War II certainly opened the space for the independent course taken by the Yugoslav leadership, there are few traces of the demand for workers' control developing out of the war of liberation itself. Before World War II, Yugoslavia was predominantly an agrarian country; the Partisan movement took the form of a guerrilla army, consisting mostly of peasant youth and operating far from the urban centers. It is true that the party took great pride in the layer of the prewar proletariat joining the Partisan forces and tried to raise their profile despite criticism from Moscow<sup>5</sup>; however, a great number of these pioneer working-class cadres

lost their lives in the war while those that survived quickly became absorbed into the new state apparatus.

Regardless of the historical accuracy of Milovan Đilas's anecdote claiming that the car parked in front of his villa was the birthplace of the idea of workers' self-management, it nevertheless provides a good depiction of the nature of decision-making in the early postwar years—as an affair of a closed group of comrades-in-arms with little or no input from the broader layers of the party or organized labor:

One day—it must have been in the spring of 1950—it occurred to me that we Yugoslav communists were now in a position to start creating Marx's free association of producers. The factories would be left in their hands, with the sole proviso that they should pay a tax for military and other state needs "still remaining essential". . . . I soon explained my idea to Kardelj and Kidrič while we sat in a car parked in front of the villa where I lived. They felt no reservations and I was soon able to convince them of the indisputable harmony between my ideas and Marx's teaching. Without leaving the car, we thrashed it out for a little more than half an hour. . . . A couple of days later Kidrič telephoned me to say that we were ready to go ahead at once with the first steps (Đilas 1969, 157).

The new doctrine of "workers' self-management" was publicly announced and legislated in June 1950 when Josip Broz Tito presented a draft of the new bill as the "most significant historic act of the Federal Assembly next to the Law of Nationalization of the Means of Production" (Tito 1950). The legislation rendered the workers' collective of a single enterprise a sovereign body, able to debate and vote upon fundamental factory matters through the workers' council, elected among its members. The workers' council met once a month and elected a management board—a professional administration, headed by an enterprise director concerned with day-to-day management. To prevent the alienation of the management from the work collective, three-quarters of this board had to consist of manual workers; the members were reelected on a yearly basis and could serve a maximum of two terms in that position. The enterprise director was nominated by the party for a four-year term but had to be approved by the workers' council as well.

Reviewing Tito's address to the Federal Assembly, the desire to position self-management as the "most definitive and convincing answer to all calumniators" (Tito 1950) becomes plainly apparent. Against the backdrop of Cominform accusations, the young Yugoslav state was eager to reclaim its revolutionary credentials in the eyes of the socialist world and improve its image in the West in the wake of opening to foreign aid and trade agreements. A closer reading, however, hints at other motives related to the country's growing internal economic hardships and not only to its international

<sup>5</sup> The establishment of the so-called Proletarian Brigades as the shock troops during the war was severely criticized by Stalin at the time, as Moscow was careful not to scare away the Allies with the overtly revolutionary character of the Communist organized resistance.

image. Passing references to the stabilization of work discipline and rational distribution of labor (Tito 1950) reveal a possibly more important, practical rationale for the introduction of workers' councils.

Contending with the Cominform economic blockade and potential military intervention, and faced with the imperative of consensus among all social layers, the Yugoslav leadership had to be innovative in finding noncoercive and nonconfrontational ways for raising labor output. Andrew Pienkos mentions the self-serving and manipulative functions of self-management (1984, 59), while Sharon Zukin sees the workers' councils as a tool for breaking the growing militancy of the trade unions in the midst of chronic labor shortage (1981, 291–294). Such critical appraisals are best summarized by Susan Woodward:

In fact, a primary goal of the introduction of workers' councils in 1949–50 was to deprive the unions of their bargaining power . . . Elected representatives of skilled production workers were to be consulted by managers on how to cut labor 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 dismissals of workers when required by budgets or modernization programs. The essence of self-management . . . was this attempt to enforce incomes policies and financial discipline without state involvement or central regulation (1995a, 261).

## The Formative Years

Regardless of the particular motivations or original, narrow objectives of the new enterprise regime, once the changes were implemented, they had wide-reaching and often unpredictable implications for the Yugoslav socioeconomic system as a whole. If these new measures were to stimulate maximal growth, the leadership had to open up macroeconomic space for the grassroots initiatives of the workers' councils. In their eyes, the best way to do this was to introduce the finished-goods market and consumer demand as the guiding principles for day-to-day enterprise decisions and as stimulation for labor productivity.

The development of a socialist economy through market incentives was soon turned into one of the defining concepts of Yugoslav socialism with the theory of "socialist commodity production." According to this doctrine, the law of value was an "objective economic law," influencing socialist societies as equally as the capitalist ones. Any administrative move against it would prove counterproductive and lead to bureaucratization. Self-management units should be free from the arbitrary exercise of power by the "outside factors" that could distort distribution to their own ends (Pašić 1975, 60). Therefore, exchange through the market, grounded in the law of value, together

with collective ownership, supposedly provided the only objective criterion for socialist distribution.

As self-management became linked to the autonomy of the single enterprise in order to maximize its gain in the market of final products, democratic participation of the working class suddenly appeared to stand in conflict with the state's economic planning and the social goals of the society as a whole. The introduction of "social property" as an additional distinguishing characteristic of Yugoslav society had deep consequences for the self-perception of the working class. With enterprises transformed into self-managed units and the concept of state property abandoned, a single worker was no longer defined structurally as a wage earner in relation to capital or to the state, but as a property-owning producer receiving a share of the company's income. This tendency to view workers' councils as "collective entrepreneurs" rather than as organs of workers' control over management led Sharon Zukin to compare them to the stockholder meetings of capitalist corporations, with the difference being that "participation is founded on employment rather than equity" (1981, 287). Other authors were more prone to seek continuities with the preindustrial forms of moral economy and the peasant, small-property consciousness associated with the traditional *zadruga* (communal associations) found in the Balkan countryside (Pienkos 1984, 59).

The government failed to balance the focus on single enterprises as the source of political and economic rights with a broader, nationwide political space that could potentially coordinate various grassroots interests and grievances. The Council of Producers, introduced to the legislative bodies at all levels in 1953, was an attempt to base political representation on the awakened power of the producers; however, it never managed to recalibrate or substitute for the dominant legislative system, based on geographical representation (Comisso 1979, 47). The system thus discouraged the formation of an all-Yugoslav working class with a sense of common interest, as social tensions were channeled into bargaining between collective units of property owners and regional authorities instead of being directed at the aggregate dividing line between the workers and employers.

In this situation, organized labor focused its interest on the extension of the scope of market reforms. During the 1950s, increased decentralization, reduction in government investment, and the autonomy to seek profit in the market were perceived as victories of "workers' control" over "political forces." Solidarity with the technical and managerial cadres, who were close to the producers inside the enterprise and contributed to the total income of the work collective, seemed to make more sense than political alliances with the distant and unaccountable government bureaucracy (*ibid.*, 54). It is therefore no surprise that in the initial two decades of the development

of self-management, the trade unions were an "essential, if seldom recognized" (Rusinow 1977, 115) ally of the liberal pro-market faction of the Yugoslav leadership. Likewise, the first attempt on the federal level to provide an independent political forum for direct producers, the Congress of Workers' Councils in 1957, resulted in loud demands for further removal of state regulations, lower taxes, and greater autonomy of single enterprises in investment decisions.

The younger generation of party cadres was not bound by the same revolutionary experience and ideological orthodoxy as had been established during World War II, and was eager to embrace more liberal policies of free-market reform as the means of catching up with the more advanced Western societies. Yet it would be in error to conclude that the tactical alliance between the working class and liberals on the macro level, or even the identification of common interests within a single enterprise, managed to free workers' councils from antagonisms and provide smooth co-optation of the working class into the arena of collective entrepreneurialism. Along with the ever-increasing reliance on profitability criteria and the loosening of the budgetary character of investments, the workers' councils came under pressure to abandon the egalitarian ethos of the initial years and, instead, to allow the professional and managerial layer the upper hand inside the self-management structures. Surveys at the time showed the actual practice of self-management lagged far behind the normative standards, with low participation from the shop-floor workers and a high degree of influence by technical staff and the director (Prout 1985, 53). The workers did not feel they had the necessary time, competence, or information to make increasingly complex market decisions, so they let management formulate the options and present them to the workers' council.

In reality, management was the only body capable of making sound business evaluations, but formally any major decisions had to go through the blue-collar-dominated workers' councils. This process opened the door for client-patron practices, corruption, passivity, and cynicism toward self-management in general. Realizing that the workers' councils could not be used as a vehicle for the emancipation of wage labor, the workers quickly adapted and started using their votes as a bargaining tool with management. The workers' participation was often trivialized to the degree that a council could go on for hours discussing whether the night guard had the right to free coffee, whereas the major investment, marketing, and production proposals were simply rubber-stamped (Pienkos 1984, 63). The workers were therefore prepared to cede the initiative and responsibility to specialists as long as they felt the latter's measures were contributing positively to the company's total income. This, however, only increased the sense of alienation and suspicion inside the work collectives. One executive, from a fac-

tory observed by Ellen Turkish Comisso, stated that in order to move forward the workers would have to "get rid of the wage-earning mentality" (1979, 179). Yet the day-to-day experiences of workers did not encourage the idea of moving beyond wage labor, but instead reinforced the feeling that, within the structure of formal rights, the workers had little real influence over decisions within a given enterprise or society in general.

Despite the abandonment of administratively set production targets and the introduction of markets for final products, the operational freedom of the Yugoslav firm in the 1950s was still far from that of the capitalist economies. The limits to freedom of investment through heavy taxation, federally imposed accounting regulations, and strictly prescribed rules for distribution of profits between different funds, as well as the tight political control over the banking sector and foreign exchange, made the companies sensitive to government policies at least as much as to the market demand. The "social property" rights over land and capital also implied that a company's right to pursue self-interest was severely limited, due to its duty to serve broader social goals beyond merely private ones. The Yugoslav state spent the next four decades trying to balance the conflicting objectives at the core of its system. The practical task of harmonizing the two poles was made additionally difficult and contentious by the absence of clear, democratically controlled institutions responsible for the social interests at large.

Rapid decentralization of the state apparatus left the Communist Party as the sole institution with mass support and the authority to influence the structure of investments at the federal level. However, its clandestine existence before the war and the military command structure forged in the revolution had left its internal structure rigid and unable to open up to democratic impulses. As Dennison Rusinow observed, there were only four Central Committee plenums held during the ideologically crucial years between 1948 and 1952, and the only plenum that took place at the time of the constitution of the first experimental workers' councils in 1949 did not even touch upon the matter (1977, 49). Moreover, the policy of enterprise autonomy and the separation of the party and the state left Tito without an efficient nomenklatura, as found in other socialist countries, at his disposal. The party's ability to steer the overall direction of development therefore became contingent on recruiting professionals and managers into its ranks (Woodward 1995a, 322). This practice made the industrial workers additionally skeptical about accepting the Communist Party as their own organization. By the mid-1960s about half the party membership consisted of people employed in administrative jobs while workers comprised only about a third (Arsić and Marković 1984, 20).

The former party leadership was cautious in their experiments with the market. The system was a mixture of liberal and socialist understandings of

economic behavior, with the majority of productive factors and accumulation policy remaining cut off from market influence. These safeguards ensured that neither the law of value nor planned production for use-value gained hegemony within the national economy. Nevertheless, the relation of forces inside the country coupled with the global processes at the time made the overall trajectory of development clear. The rapid development in the 1950s gave momentum to organizational structures that drew connections between economic growth and liberalization measures. The liberal coalition, pushing for greater autonomy, decentralization, and market incentives, consisted of forces organized along production principles, such as firms, economic institutions, professional associations, and trade unions, as well as the political leadership of the more economically developed regions. Again, the ideological premises of the rights of "productive labor" against "bureaucratic statism" gave these forces moral high ground as representatives of working-class interests (Comisso 1979, 70).

The country was also aiming its developmental policy increasingly toward integration into the international division of labor and agreements with Western financial institutions. The dependence of domestic industrialization on the acquisition of foreign capital and intermediate goods made greater penetration into Western markets and access to hard currency a necessity. But in order to reach the protected Western markets, Yugoslavia was in turn forced to enter international trade agreements and expose itself to the influence of the global market through reduction of its own state control over foreign trade. The International Monetary Fund strongly supported decentralization in the first two decades of Yugoslavia's development, as it hoped this would spur "non-institutional economic laws" (Pienkos 1984, 61). The resulting deficit in the balance of payments was counteracted with increasing financial discipline. Susan Woodward notes how, instead of government expenditures being cut, entire categories were removed from the federal budget and "handed to authorities closer to producers or to independent agencies with autonomous self-management funds, as in the case of social services" (Woodward 1995a, 234). By the late 1950s, self-management in Yugoslavia was thus devoid of its emancipative potential not only inside the factories but also in the context of macro-economic policy; it also became the primary pretext for the structural adjustments required by the country's international position.

### Market Socialism

Maintaining the illusion of equality among the nationalities of socialist Yugoslavia became increasingly difficult. The policy of balanced regional growth—made possible by the central government's dominant role in the

allocation of capital investments—had become a point of contention as of the late 1950s, as it frequently contradicted individual republican interests. Painfully aware of the many long-standing ethnic and republican rivalries, which had nearly torn apart the first Yugoslavia before World War II, the Titoist leadership sought to shift the burden from the central state and the party by emphasizing the influence of the market, which would allegedly transcend regional borders with a profit stimulus.

However, the results did not match the desired outcome. Industrialization proceeded in an autarchic fashion, spurred by connections between the managerial and political elites, with each region supporting local employment through a range of production facilities without regard to duplications on the national level or to the long-term economic viability of the projects. In support of these enterprises the local authorities pushed for further decentralization, aiming at exclusive access to regional markets and direct access to foreign credit.

This decentralized, profit-driven, and export-oriented industrialization strategy created bottlenecks in the production chain and regional disparities: there was overdevelopment of processing factories, concentrated in the northern republics, which enjoyed developed transportation and communication links with Western Europe; the subordinated basic industries, dependent on federal subsidies, were located mostly in the southern republics. This division further strengthened the popular belief that the "political factories," financed by the federal budget, were wasteful investments, whereas those projects on the lower levels, more in tune with market signals, were the successful parts of the economy leading the country forward. The main counterweight to the splintering tendencies of "socialist commodity production" was the policy of centralized national accumulation, made possible by the Federal Investment Fund, which obligated individual companies to maintain the value of social capital through prescribed rates of depreciation and a minimum rate of savings.

The middle-ground solution between the plan and the market was impossible to maintain in the long run. The structural imbalances in the Yugoslav economy offered new opportunities for the liberal faction inside the party. They argued that political influence contributed to an irrational distribution of investments between and within different sectors and that the only solution would be to follow the lead of the final product markets, bringing investment decisions under the discipline of the domestic and global market signals. Apart from that, they believed that forced high levels of accumulation restricted working-class consumption and impaired the growth of productivity (Prout 1985, 33–34). The fact that workers did not have full control over the surplus value produced in their enterprise seemed to prove that statist and bureaucratic elements were still blocking the full

development of self-management relations in production. Labor, for its part, was also pushing for reforms in the hope of higher wages as well as the fulfillment of the original revolutionary ethos of distribution, "to each according to his work."

The localization of economic interests made a national consensus on fundamental economic issues almost unattainable. It seemed that any significant breakthrough in political decisions was made possible only through the direct interference of Josip Broz Tito as the ultimate intermediary and undisputed symbol of the revolution. With rising antagonisms threatening to tear the party apart, the liberal solution of substituting endless bickering with an impersonal arbiter was a tempting choice. The market was suitable and viable inasmuch as it was invisible and apparently reasonable. The Titoist experimentation with market incentives had brought about record growth rates, while Western markets appeared to offer space for further integration. Besides, the leadership's understanding of socialism offered no serious alternative. The only option besides the market was centralization, but a return to the system of administrative control and ideological rigor was out of question by that point. As the 1950s drew to a close, it had become time for a qualitative change in the interpretation and practice of Yugoslav self-management.

Nineteen sixty-five marked the watershed moment when the implicit tendencies of the preceding years were finally rolled out as an official party line popularly known as "market socialism." As Christopher Prout states, the mid-1960s reform measures were significant "not for what they created but for what they removed" (1985, 47). The multitude of smaller reforms accreted into a qualitatively new concept of the state as the leadership embraced the liberal assumptions. The enterprises' autonomy was increased significantly, with government taxation decreasing from 60 percent to just 30 percent of the work collective's income, thus leaving it up to the workers' councils to decide freely between consumption and accumulation (Comisso 1979, 73). The state withdrew further from the economic sphere, giving companies the freedom to enter independently into contract with each other and their foreign partners. The aggregate results determined the level of macro-industrial output and the structure of investments. A complex system of multiple exchange rates was replaced with a unified exchange rate and general liberalization of foreign trade (Schrenk et al. 1979, 26-27). The federal government's share of total investment finance had fallen to 22.5 percent by 1963, leaving the decision of macroinvestment proportions up to specialized banks and competitive capital markets (Dyker 1990, 63). The federal annual and five-year plans continued to exist only in a purely informational sense as there was no institutional level left to enforce these goals.

The workers' councils responded accordingly. After a constitutional amendment was enacted in 1968 that granted collectives almost complete

freedom, they took this opportunity to formulate their own structures, re-draft individual statutes, transfer power to a number of specialized executive boards, and abandon the compulsory quota of blue-collar workers on the councils, thus bracing the enterprises for market competition (Prout 1985, 57). The old idea of integrating the workers' councils into the state apparatus via the Council of Producers was abandoned; the legislative bodies of the government were divided into four separate chambers more in tune with the territorial principle within Yugoslavia.

Perhaps the most significant among this wave of reforms was the dismantling of the Federal Investment Fund and the establishment of the Federal Fund for the transfer of financial resources to the less developed republics. This act stood as a clear abandonment of the concept of organically integrated development of the country as a whole. The logic of profit prevailed, recognizing that the areas offering higher return on investments should be relied upon as the poles of economic growth, while the less developed regions should be compensated through the mechanism of solidarity transfers. The republics were therefore recognized as the prime units of economic life, whereas the role of the federation was reduced to a mere redistributive function. This mechanism of solidarity transfer between republics proved a controversial issue, suitable for political manipulation by the republican leaders, as the "plus" for one region inevitably appeared as a "minus" for another during the years of economic stagnation.

By the end of the 1960s the economic reforms were widely perceived as having been a failure. Between 1964 and 1967, at the height of the reforms, the average yearly growth amounted to 2.9 percent compared to almost 10 percent between 1961 and 1964 and 12.7 percent between 1957 and 1960 (Rusinow 1977, 202). In 1965, the unemployment rate stood at 8.8 percent, some 326,800 unemployed people in total, despite the encouragement of massive immigration policy toward Western Europe. In the early years of the planned economy, wage differentials were maintained at a ratio of 1: 3.5. By 1967, they had reached a disparity of up to 1: 20, depending on the industry or the particular enterprise. The inequality among enterprises was even greater if one took into account the various social services and fringe benefits that self-management transferred to the company level, such as housing, transportation subsidies, meals, individual education, and consumer credits.

The withdrawal of the state from the economic arena allowed high-wage industries to develop intensive capital formation, while the companies in basic industries were under pressure to raise wages and relied increasingly on the banks for investment. Large trading enterprises used the opportunity to merge with financially troubled firms and integrate their suppliers into conglomerates, restricting the sales of raw materials and forbidding local firms to buy elsewhere. This development was associated with the surfacing

of "technocratic managerialism"—a term used to describe the bonds between the directors and the republican political authorities (Prout 1985, 30).

### The Last Revolution from Above

The reforms of the 1960s created an atmosphere in which each group felt exploited by the others, with no clear divisions. Agriculture felt threatened by industry, industry by the banks, basic industry by processing, small companies by larger ones, the less developed areas by the richer republics, and the more developed republics by the trade monopolies concentrated in Belgrade. The rising insecurity did not lead to political solidarity networks from below, able to overcome the atomization of self-management, but to splintering. By the late 1960s the Yugoslav version of socialism was experiencing a serious identity crisis. Beyond the vague commitments to self-management and "brotherhood and unity," there seemed to be no clear concept or direction (Pienkos 1984, 62).

The regime, which had once been able to deal confidently with instances of dissent behind closed doors, now seemed incapable of resolving the internal contradictions it had created, or of preventing the frustration from spilling over into the streets. Between 1968 and 1972, political challenges to the Titoist leadership came from all sides, revealing the complicated extent of the vertical and horizontal cleavages created by the reforms. The student protests in the summer of 1968 were followed in the fall by a movement in the province of Kosovo, demanding more rights for ethnic Albanians, as well as nationalist protests in Croatia in the early 1970s calling for further liberalization and autonomy for the republics.

While the protests in Kosovo and Croatia reflected general trends within the party and utilized the official interpretations of self-management in an attempt to further decentralization as well as regional, economic, democratic, and national rights, the student protests proved much more dynamic on a political level. They were able to formulate an alternative discourse of self-management, oriented exclusively toward the working class, independent of the regional divides. Drawing on the ideas of the Praxis group<sup>6</sup> of socialist-humanist intellectuals in the universities and the global 1968 movement, the students insisted that the emergence of a technocratic elite in the enterprises and the resurrection of nationalism were processes connected to and inseparable from the introduction of autonomous market competition. Ac-

6 A journal launched in 1964, *Praxis* was the focal point for critically inclined left-wing scholars who sought to advance New Left politics internationally. Among other activities, *Praxis* organized summer schools on the Adriatic island of Korčula, bringing the leading Marxist intellectuals of the time to Yugoslavia, and initiated translations of their works.

ording to Nebojša Popov, the regime, in response to the students' position, took careful steps to prevent communication between students and workers by making sure that the party remained the only official link between the enterprises and the rest of society. They also used organized guards and action committees from within the enterprises to physically prevent the students from reaching the factories (2008, 87).

Only when viewed in light of the developments inside organized labor at the time are these extreme "safety" measures fully comprehensible. During the previous decade, workers had handed over control of the factory councils to management in exchange for greater total income and higher wages. The growing reliance on the marketplace as a parameter for determining individual compensation in exchange for work, however, had brought down the living standard of blue-collar workers and created workplace insecurity. The key tenet of Yugoslav socialism, invoked to gather support for economic liberalization, among other things, was the distribution slogan, "to each according to his work." The spread of reform measures revealed just how differently this principle was interpreted by shop-floor workers as opposed to management. Ellen Turkish Comisso's lucid account of occupational values inside the Yugoslav enterprise shows that workers tended to interpret the credo in its most literal sense, taking it to mean that one should receive back the value of labor power invested during the production process.

Management, on the other hand, upheld the principle of distribution according to the "results of work," and thus wages should not depend on the quality or quantity of individual labor, but on the capability of the firm to realize its products and attain a favorable position for them on the market (Comisso 1979, 159–171). The close of the second decade of Yugoslav self-management therefore marked the end of an uneasy coalition between the workers and the liberal faction of the party. Workers' disillusionment with the bureaucratization of Yugoslavia's economy expanded. With the intensification of strikes<sup>7</sup> during the 1960s and pressure at the 1968 trade union congress for more resolute representation by the union functionaries, workers exhibited a shift toward the politicization of their demands and an exit from the stage of individual, self-managed enterprises (Carter 1982, 159–207).

In an effort to regain control over the economy and discipline in the party ranks, the Yugoslav leadership launched the final and most ambitious reconstruction of the self-management project on all levels. After crushing the demonstrations in Kosovo and pacifying of the student movement, the

7 Industrial strike actions by workers were becoming commonplace during the 1960s, despite being labeled as an absurdity within a self-managed economy and denied legal status. Increasingly tolerated by the authorities, more than two thousand strikes were recorded between 1958 and 1969.

Titoist leadership seized upon the more radical wing of the Croatian national movement as the impetus to start a sweeping purge of nationalist and liberal elements in the party apparatuses of all the republics, followed by a clampdown on left-wing professors and opposition at the University of Belgrade. The political space was cleared for a departure from a decade of market socialism.

The goal was to eliminate the harmful monopolies without upsetting useful market incentives, as well as to reintegrate the party into the social and economic processes without reinstating the hierarchic state apparatus. The enterprises were broken down into "basic organizations of associated labor" (BOALs)—the smallest units whose product or service could be expressed in terms of market value. Each of these smaller entities was equipped with its own set of self-management organs and joined the larger work organizations voluntarily on the basis of a contract and delegate representation in the central workers' councils. Each enterprise was transformed into a federation of BOALs with full legal and political sovereignty.

Relations between the enterprises and the state and among the enterprises themselves were constructed on a similar principle. Instead of regulations imposed from above, the new economic planning was to be accomplished through a series of agreed-upon "social compacts" aggregated on the national, regional, or industry-specific level (Prout 1985, 73–77). Each enterprise would take the initiative to form a number of "social compacts" with the local communities and "self-management agreements" with other BOALs and work organizations. The aim was that through this complex web of compacts and agreements the associated labor would gain control over the blind forces of commodity production and bypass the technocratic elements in self-management relations. The self-management bodies were expected to work in close collaboration with the local branches of national mass organizations and workers were encouraged to participate in both structures simultaneously. The idea was that these activities would help bind the enterprises more closely to the greater social interests.

Concurrently, in another attempt at the autonomous representation of industry within the political apparatus, a reconfigured chamber structure was introduced. Each legislative assembly, from the communal assembly level up to the republican government, now consisted of three separate chambers with delegates from the communities, work organizations, and sociopolitical organizations (Schrenk et al. 1979, 45). However, it is revealing that the Chamber of Associated Labor, representing work organizations, was never introduced to the Federal Assembly, the highest legislative body in the country. Far from helping to open up political space to enable the development of alternatives to the prevailing regional and ethnic allegiances, these steps toward more direct workers' democracy proved to be

merely a minor adjustment to the Constitution of 1974, which, ironically, had integrated many demands of the various national movements and thus entrenched the republics as the primary vehicles for political negotiation inside the country.

It seems that with each subsequent reform the capability of the leadership to mobilize the masses behind it decreased. This new "revolution from above" remained largely formalistic, engulfed in a stream of legislation written in highly bureaucratic language. Positioned as the route to peak power for direct producers, it never managed to animate the workers, who saw it either as an irrational and problematic deconstruction of previously integrated production processes, or as a multiplication of bureaucracy and what they considered "empty talk." While management made sure the enterprise structure conformed to the new laws, the new organizations operated in a perfunctory manner, keeping the authorities satisfied so that, at the end of the day, everybody could go on with their business as usual. The practical impact of the changes was disappointing:

It is revealing to note that the analysis by the 1976–1980 Social Plan of the major economic weaknesses in Yugoslavia, written in the mid-1970s, is almost identical to that contained in the mid-1960s. Both refer to imbalances of sectoral growth between the manufacturing, raw materials and infrastructure sectors as the basic source of instability in the economy . . . It is almost as if time had stood still (Prout 1985, 70).

## Giving In

Josip Broz Tito's death in 1980 coincided with the trend of rising oil prices on the world market and deteriorating terms of trade for developing countries. For decades, the country had 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—all needed for the exporting industries—resulted in the increase of production costs and loss of competitiveness. In addition, the interest on loans was rising steeply and, by 1981, the Yugoslav government found itself on the edge of bankruptcy with over \$20 billion in foreign debt (Sørensen 2009, 77). The prolonged economic crisis gave rise to the feeling that further reforms were necessary. Once the source of great pride, the system of self-management was no longer regarded as a unique, worthy pursuit but viewed increasingly by government officials as an obstacle to further modernization.

A series of "stabilization programs" were introduced at the advent of the 1980s with the aim of improving international competitiveness and reining in galloping inflation. They consisted mainly of decreases in collective con-

sumption and stricter market parameters for company performance. The austerity measures placed the primary burden of the reforms on the shoulders of the industrial workforce in the socialized sector of the economy. In the first three years of the decade average incomes had fallen by 33 percent in real terms. By 1988 the standard of living for workers in the socialized sector had been pushed back to the levels of the 1960s (Schierup 1992, 86). If efficiency-oriented economic reform were to be implemented, it was estimated that out of a workforce of approximately eight million, roughly two million workers would have to be thrown out of work. Combined with one million workers already unemployed and the increasing number of former "guest workers" returning home from recession-hit Western Europe, the Yugoslav government was finding it increasingly hard to maintain social peace.

Indeed, these types of policies soon provoked movements from below and stirrings at the top of society. Workers' mobilizations, tacitly accepted and positively perceived by the public, were the most prominent grassroots initiatives at the time. The number of strikes recorded nationwide went from 247 in 1980 with 13,507 workers involved, to 1,851 strikes involving 386,123 workers in 1988 (Marinković 1995, 83). These statistics place Yugoslavia among the European countries with the highest level of strike activity at that time. Unlike the strikes of previous decades, focused mainly against company management and limited to the factory premises, workers were now eager to connect their demands to wider political issues and to present their grievances to the authorities by staging marches, street demonstrations, and gatherings in front of government buildings. Although opposed to the austerity policies and the individual politicians who advanced them, the workers supported the Titoist heritage more generally by holding strikes and protests under the party iconography. Their demands ranged from insistence on higher wages to multiparty elections and the inclusion of organized labor delegates in the political debates of the Federal Assembly.

Once the workers had started to move en masse, it became clear how ineffectual the self-management bodies had become over the years—most of the strikes and grassroots actions were organized outside of these structures. Nevertheless, even though the workers might have had negative experiences with the self-management in their particular surroundings, all sources indicate that as a group they were still attached to the general values and interpretations of Yugoslav socialism, and they projected their ideas for change within this framing. As Susan Woodward points out, the demands for multiparty elections did not originate from popular pressure but from politicians aspiring to more regional power and nationalist intelligentsia seeking more influence in political affairs (Woodward 1995b, 45).

The mounting popular discontent gradually spilled over into the ruling party. Lower-rank officials and local state enterprise managers attempted

to join forces with various protest groups inside the republics. The tipping point was reached in the autumn of 1988, when the Serbian branch of the League of Communists of Yugoslavia, under the leadership of Slobodan Milošević, openly broke with the unified line of the federal government against the street protests and extended political support to handpicked demonstrations. By reinterpreting the hitherto dominant notion of the dichotomy between the "exploiter and exploited" in nationalist terms, this group of the Serbian political elite organized a wave of rallies in Serbia and the surrounding republics, co-opting the movement previously based on class issues. These top-down, nationalist mobilizations, which came to be known as the "antibureaucratic revolution," opened the door for the violent disintegration of the country.

By 1989, the new Enterprise Law and Foreign Investment Law effectively ended self-management as the dominant form of enterprise organizing, allowing for full foreign ownership and repatriation of profits, and legalizing market allocation of labor and capital (Warner 1990, 216–219). The trade unions did not oppose the dismantling of self-management, as they hoped the labor market would finally end atomization and grant labor greater influence within society through the practice of collective bargaining. Once the Wars of Yugoslav Secession started in 1991, however, "national interests" took precedence over labor grievances, effectively narrowing the space for any attempts at a formulation of class politics.

The Yugoslav working class never managed to capture the institutional opportunities presented by self-management that could have transformed worker-managed enterprises from instruments of the ruling bureaucracy into authentic vehicles for democratic control from below. Despite—or perhaps precisely because of—the multifarious institutions established over several decades by the self-management system, the workers lacked a clear channel for voicing their grievances. The self-management councils, as the principal structures, could not serve as democratic organs for exercising dissent, since their primary purpose was to play a managerial function in the operation of firms, not to serve as political organs of the working class. Sociopolitical organizations operating on the shop-floor level remained too ensconced in the bureaucracy to accommodate dissenting voices.

On a larger scale, the apparent contradiction between the self-interest of a single factory or a given region and the interests of society as a whole was not resolved through centralized democratic control of the overall economy by the working class. In the absence of such a control mechanism, the consensus of the republican elites remained the prerequisite for any unified policy. Until the very last day of the Yugoslav Federation the dominant reading of self-management in society remained that of increased autonomy and local control. Once the country disintegrated, however, the elites had

no more interest in its maintenance. The labor movement, for its part, was not strong enough to endow the concept with fresh, relevant meaning and use it as a guide for action in the new socioeconomic surroundings. Two decades after its abandonment, the experience of Yugoslav self-management thus leaves an ambivalent legacy waiting to be reclaimed by the social movements and reappraised by the social sciences.

---

## References

- Arsić, Mirko and Dragan R. Marković. 1984. *68. Studentski bunt i društvo*. Belgrade: Prosvetni Pregled.
- Carter, April. 1982. *Democratic reform in Yugoslavia: The changing role of the party*. London: Frances Pinter.
- Comisso, Ellen Turkish. 1979. *Workers' control under plan and market: Implications of Yugoslav self-management*. New Haven, CT: Yale University Press, 1979.
- Dilas, Milovan. 1969. *The imperfect society: Beyond the new class*. London: Methuen & Co.
- Dyker, David A. 1990. *Yugoslavia: Socialism, development and debt*. London: Routledge.
- Johnson, A. Ross. 1972. *The transformation of communist ideology: The Yugoslav case, 1945–1953*. Cambridge, MA: MIT Press.
- Marinković, Darko. 1995. *Štrajkovi i društvena kriza*. Belgrade: Institut za političke studije.
- Pašić, Najdan. 1975. Self-management in Yugoslavia: Some impending problems. In *Self-management: New dimensions to democracy*, ed. Ichak Adizes and Elizabeth Mann Borgese. Santa Barbara, CA: Clio Press.
- Pienkos, Andrew. 1984. Socialist transition in the capitalist world-economy: The Yugoslav experience. *Insurgent Sociology* 12 (1/2): 57–69.
- Popov, Nebojša. 2008. *Društveni Sukobi—Izazov Sociologiji: Beogradski Jun 1968*. Belgrade: Službeni Glasnik.
- Prout, Christopher. 1985. *Market socialism in Yugoslavia*. London: Oxford University Press.
- Rusinow, Dennison. 1977. *The Yugoslav experiment: 1948–1974*. London: Royal Institute of International Affairs.
- Schierup, Carl-Ulrik. 1992. Quasi-proletarians and a patriarchal bureaucracy: Aspects of Yugoslavia's re-peripheralization. *Soviet Studies* 44 (1): 86.
- Schrenk, Martin, Cyrus Ardalan, and Nawal A. El Tatawy. 1979. *Yugoslavia: Self-management socialism and the challenges of development*. Baltimore, MA: Johns Hopkins University Press.
- Sörensen, Jens Stilloff. 2009. *State collapse and reconstruction in the periphery: Political economy, ethnicity and development in Yugoslavia, Serbia and Kosovo*. New York: Berghahn Books.
- Tito, Josip Broz. 1950. *Workers manage factories in Yugoslavia*. Pamphlet, Belgrade, June 26. [www.marxists.org/archive/tito/1950/06/26/htm](http://www.marxists.org/archive/tito/1950/06/26/htm).
- Warner, Malcolm. 1990. Yugoslav "self-management" and industrial relations in transition. *Industrial Relations Journal* 21 (3): 209–220.
- Woodward, Susan L. 1995a. *Socialist unemployment: The political economy of Yugoslavia, 1945–1990*. Princeton, NJ: Princeton University Press.
- \_\_\_\_\_. 1995b. *Balkan tragedy: Chaos and dissolution after the cold war*. Washington, DC: Brookings Institution Press.
- Zukin, Sharon. 1981. The representation of working-class interest in socialist society: Yugoslav labor unions. *Politics & Society* 10 (3): 281–316.

# 10

## Give Us Back Our Factories!

Between Resisting Exploitation and the Struggle for Workers' Power in Poland, 1944–1981

Zbigniew Marcin Kowalewski

Translated from the Spanish by Marco Gomez

### Mode of Exploitation and Workers' Resistance

The Soviet-dominated People's Republic of Poland,<sup>1</sup> which existed from 1944 to 1989, was one of the transitional social formations between capitalism and socialism to emerge on the periphery of the world capitalist system. This periphery lagged behind the Western center in the historical process of industrial revolution (Aldcroft 2006). Poland's dependent capitalist system between the wars had hindered the nation's industrial development; consequently, its overthrow by the Red Army after World War II allowed this delayed revolution to occur. In the newly industrialized People's Poland, the commodities exchange ceased to be the general form of social relations, but bureaucratic domination blocked the transition to the new planned relations. This domination was based on a double set of contradictions: between the overthrow of capitalist domination on a national and regional scale and its prevalence in the world system; and between the suppression of capitalist relations of exploitation and the persistence of the productive forces fused in the crucible of these relations. The more the productive forces had adapted to capitalism, the more they hampered the development of relations of nonexploitation (Rey 1977, 130; Rey 1985, 131; Turchetto 1995 and 2007).

The bureaucracy was not a genuine dominant class but a parasitic stratum (Post 2000); its political domination was not rooted in a specific mode of production, yet it was able to extract surplus labor from the workers. The

---

<sup>1</sup> This was the official name from 1952–1989.