

INSTITUTE OF CURRENT WORLD AFFAIRS

AS - 2

Nationalism and Economics

Hotel Majestic
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Dear Mr. Nolte:

At the Fourth Plenum of the Central Committee of the League of Communists last July, President Tito felt constrained to declare:

"It is not true that there is centralism in Belgrade or that everything is being built there. Nor is it true that the Slovenes live better at someone else's expense. It is true that Slovenia was far more advanced than any other of our republics... (but) we cannot now demand that the Slovenes should remain at the 1941 level, while the other republics catch up with them.... The more Slovenia has, the more it will be in a position to give to others...."

Few questions here are as tangled or as sensitive as the relation between the national problem and the economy -- the question of how Yugoslavia's wealth is to be shared among the six constituent republics, with their sharply varying levels of development, productivity, culture and even health*. In the economic sphere, the question involves state policy on wages, taxes, banking mechanisms and especially investment funds. In the political sphere, it involves the respective rights of economic enterprises, municipalities, the republics and the various agencies of the Federation. The issue

* Some random statistics: The Slovenes are 98 per cent literate, while in Bosnia-Hercegovina 36.5 per cent (including more than half the women) are illiterate. The Croats and Slovenes have children at about the same rate as Western peoples (roughly 18 live births per 1,000 population); the rate for the Albanians in the Kosmet is more than twice as high. (On the other hand, infant mortality in the Kosmet is four times as high as in Slovenia.) The Croats and Slovenes, with less than a third of the population of the Federation, provide nearly half the new highly skilled workers entering industry, construction, crafts and public utilities. Housing space per person is more than ten square meters in Slovenia and Croatia, less than seven in Bosnia and Macedonia. Two-thirds of the Slovenes working in industry earn more than the national average of 20,000 dinars a month; more than half the Montenegrins and nearly three-fourths of the Macedonians earn less.

figured directly at the Fourth Plenum, is figuring indirectly in the current discussions of the new draft Constitution, and also (as we shall see) helps explain a number of other discussions of seemingly unrelated matters.

Although regionalism and even pork-barrel politics are part of every society, such issues cut much deeper here, because Yugoslavia is both a multinational state and a Communist one.

On the one hand, there is the historical legacy -- the predominantly mountainous and roadless terrain, the uneven distribution of resources, the very different impacts of the Hapsburg and Ottoman occupations, the bitterly resented Serb hegemony (economic as well as political) of the interwar years, the still-felt tragedy of the fratricidal war. The Communist regime has acted to suppress national hatreds for seventeen years, but despite massive efforts it has as yet been unable greatly to reduce the gap between the advanced and the backward sections of the country. Bosnia, Montenegro, Macedonia have more than they ever had before; but the dinar invested in Zagreb, Ljubljana or Maribor brings greater and faster results. ("It has been proved," Marshal Tito told the Fourth Plenum, "that labor productivity in the less developed areas hardly exceeds 50 per cent of the productivity achieved in developed areas.") The great bazaar at Sarajevo, appealing as it may be to tourists, represents a different economic era from the smart specialty stores of Zagreb.

On the other hand, in a Communist society, where private initiative barely exists even in the realm of personal services, economic decisions great and small are politicized to an extent unthinkable in the West. This places both the power and the responsibility for the advance or stagnation of any region on the Party. Leninist orthodoxy indeed maintains that socialism will overcome national differences and antagonisms, and a principal aim of the League of Communists of Yugoslavia is to construct a "material basis" for the "brotherhood and unity" of the Yugoslav peoples. It can rightly claim credit for the successes achieved; at the same time, however, the Party, or its responsible members, must take the blame for any serious abuses, "deformations," wastes -- or instances of "chauvinism" in the economic field. ("The class of capitalist owners, as well as feudal remnants, has economically ceased to exist," according to Vice President Edvard Kardelj.)

Thus, quite understandably, there is great sensitivity to any suggestion that national considerations have intruded into economic policy - that there has been log-rolling, or that debates on economics have followed national lines, or that significant funds may have been wasted on "political enterprises." For such suggestions have a broader implication: namely, that a monolithic and "scientific" party, directing the economy of a state "building socialism," is subject to the same regional and national pushes, pulls and turns as a Western regime -- without the safety-valves provided by multi-party politics, a pluralistic economy and an "irresponsible" press. That is a provocative implication, indeed, and explains why one hears about nationalist influences in the economy mostly from the very top and bottom -- that is, from

President Tito himself and from street gossip. The press and the great middle echelon of officials appear to acknowledge the issue only by circumspect indirection.

Although most gossip tells us little about what has actually been done, particularly on the higher levels of the regime, the talk of the streets does help convey the climate of feeling in which the higher circles operate (and which, perhaps, they have to some extent helped to create or maintain). Let us begin, then, with the rumors and resentments of the Serb in the street.



SARAJEVO BAZAAR: ANOTHER ERA

First, who are the peoples involved in the national pulling-and-hauling over money? Belgrade and Zagreb, Serbs and Croats, surely -- but also others. A New Yorker had advised me last spring to observe the prominence in Yugoslav life of Montenegrins ("because of their leadership qualities") and Slovenes ("because they are good businessmen"). A few days ago, I heard essentially the same analysis from a Serb, except with a very different and inimitably local flavor:

The Montenegrins: "You can keep them here a hundred years, dress them up any way you wish -- they will never be civilized. All they know is the fist. They are the police, and would be under King Alexander, Franz Josef or God-knows-whom. You know, we had Partisans and Chetniks here during the war, killing each other. The Chetniks were Montenegrins; the Partisans were Montenegrins. All we Serbs wanted was to be left alone."

And the Slovenes: "Who really runs the government (apart from the police and army)? The Slovenes. They decide everything that has anything to do with money. You just look -- where a Slovene isn't the minister, the minister is some ex-laborer who only makes speeches and the deputy is a Slovene. Don't get me wrong -- I'm not saying the Slovenes are Communists. They're not. They're not Communists, they're not socialists, they're not nationalists; they are simply Egotists...."

Wild exaggeration, of course -- but the feeling is real. Somehow dissatisfactions of all kinds seek an outlet in nationalist suspicions, with even the smallest groups suspect. The notion of Belgrade Serbs worrying about Slovene "domination" is rather a switch on the prewar pattern. More traditional is the widespread legend that the special lighting effects and civic improvements undertaken for last year's Belgrade neutralist conference were financed out of "Zagreb housing funds." This can be true only in

the sense that Yugoslavia has limited funds and Zagreb needs new housing. Yet the pervasiveness of the tale (I first heard it in Belgrade, virtually on arrival) is itself a palpable psychological fact.

To be sure, neither such tales nor their bearers have much influence on the Communist leaders who decide where funds should be invested, taxed, saved, distributed or transferred. But the Communists, too, are human, products of the Yugoslav milieu and subject to its influences. Tito, Kardelj, Rankovich, the central authorities generally are expected to take the all-Yugoslav view; but who should press for the new steel plant in Macedonia if not its party leaders? And who on the committees reviewing the project are most likely to be sympathetic if not their Macedonian members? This is not, necessarily, cynicism or "empire-building"; it is, more likely, a human response to the real needs of the people whom a given individual knows most intimately and for whom, in many cases, he is socially responsible.

The difficulty is that there is not enough money to cover even acute needs, and so there are -- and must be -- struggles over priorities. Since no self-respecting Communist could justify a project on baldly national grounds, "scientific" rationalizations must be sought. There is a story, for whose accuracy I cannot completely vouch, about the contest over the location of an aluminum plant. Bauxite and power were available in both Hercegovina and Montenegro. Economists proved that, over a fifty-year period, a plant in Hercegovina would be roughly 5 per cent more economical. The Montenegrins, however, showed that a plant in their republic would be 3 per cent more economical over a hundred-year span. The Montenegrins won. A critic of the decision (from neither region) says that to consider a hundred-year life for such a plant was simply ridiculous, and adds wryly that the key decision-maker in the case was himself a Montenegrin.

What is interesting here is not so much the struggle itself -- Americans know the political interplay of regions, localities and ethnic groups only too well -- but the fact that it must go underground. Regional and ethnic considerations are not brought forth openly, but tend to lurk behind "objective" or "Marxist" formulations. This goes beyond such relatively straightforward matters as plant location to much broader affairs of state. The result is that in many a debate over high policy "ideological" trees tend to obscure an indubitably nationalistic forest.

Take, for example, the recent discussion over whether progressive or flat-rate taxes are more genuinely "socialist." Learned quotations were found to support each view. A knowledgeable observer assures me, however, that the citations from Marx and Lenin were mere window-dressing. The real debate is between the Slovenes, who have the most to be taxed and therefore favor flat rates, and the poorer regions, with least to lose, which unanimously favor progressive rates.

In a similar manner, the current enthusiasm in party circles for the "communes" -- municipalities and districts-- as the

foundation of the new Yugoslav socialism may appear to be universal, but in fact conceals a familiar conflict. The Slovenes and Croats, by and large, hope that the new powers and resources of the communes will be drawn away from the center (that is, Belgrade); the centralists, on the other hand, view the communes as means for eroding the power of the six Republics. Much the same alignment prevails in the discussions of the economic enterprises and their powers to retain, distribute and invest their earnings -- the more efficient regions in the north tending to favor greater leeway, the centralists favoring greater control. The new Constitution, I have been told officially, enhances the powers of the Republics as well as of the enterprises and communes; my own reading, however, is that, as far as the Republics are concerned, it is a compromise document which can in the future be interpreted either way, and that the struggle between centralism and federalism is by no means over.

The federalists have recently, as a result of Yugoslavia's economic troubles, won two very important founds. When the slow-down began two years ago, centralists were quick to blame it on decentralization. They claimed specifically that the enterprises, communes, communal banks and Republics had frittered away the nation's investment funds in a planless helter-skelter manner. In the ensuing discussion, however, it was demonstrated that the primary responsibility was Belgrade's. The Federation itself disposed of fully half the total available investment funds, and since enterprises were obliged to "match" Federal credits, Belgrade in fact controlled some 80 per cent of total investments. As a result of the debate, Marshal Tito forthrightly told the Fourth Plenum: "The Republics should be allocated larger funds, as well as the communal banks, while larger resources should also be left at the disposal of enterprises." Precisely how much less the center will control, of course, remains to be seen. The language of the resolution adopted by the Plenum was considerably vaguer than Marshal Tito's blunt speech, indicating resistance to definite commitments. However, the direction seems clear; too many cases were cited -- by Tito and others -- of efficient enterprises having to slow production because of a lack of prompt credit from the center.

A second victory for federalism may be even more important. It concerns the development of the underdeveloped areas, which was a raw issue in the national conflict in Yugoslavia even before the war. The Serb monarchy justified much of its taxation (which naturally fell heaviest on the better-off Croats and Slovenes) on the grounds that it was necessary for the development of the backward areas. The Croats, of course, replied that most of the money seemed to go into the hands of the Belgrade ruling class and that, besides, the backward areas should learn to take care of themselves.

Under the Communist regime, great sums were invested in developing the natural resources of the underdeveloped regions and attempting to launch industrialization there. Many of the enterprises (particularly hydro-electric stations) were successful. Others, however, were wasteful compared with similar enterprises in Slovenia, Croatia or the Belgrade region. The strain not only on the state but within the party was considerable:

"For instance" -- the illustration is Tito's -- "we have invested

approximately 40 billion dinars (\$53.3 million) in the iron and steel works in Montenegro. Every year we grant them 3 billion dinars (\$4 million) in subsidies. This means that this iron and steel factory is 'devouring' itself and the community. But, if we had invested 10 billion dinars earlier, Montenegro would now be making its contribution to the community. Having stopped half way, we are now scolding them and they are scolding us...."

The upshot: "... we must change our policy with regard to the less developed areas.... It is better for us to grant (them)... funds for something else, for public works and cultural needs, than to build factories... at any price.... We must not build 'political factories' any longer...." The Fourth Plenum recommended that the Federal funds allocated to underdeveloped areas "should become a permanent proportion in the distribution of national income," and the draft Constitution provides for "a special Federal fund" for this purpose. Vice President Kardelj, who was chairman of the Constitutional commission, has explained that what is envisioned is "the creation of a continuous and long-term system of financing" the development of the backward regions. This in itself represents an important step -- the divorce, in effect, of the productive sectors of the economy (which are to be made as profitable as possible) from what are essentially "relief" activities, with the latter strictly dependent on the progress of the former.

Furthermore, a distinction is to be made between backward localities within otherwise prosperous Republics and the generally underdeveloped Republics. In Kardelj's words: "The draft (constitution) anticipates that the Republics will be obligated to provide additional funds for those communes which are not able to achieve, through their own means, the funds required for performing their functions and indispensable public services. The Federation, in turn, would be required to secure additional funds for those Republics which are not able to meet these needs." In other words, Croatia will have to provide for the Lika and other depressed areas on its territory, Serbia and Slovenia will have to care for their backward regions, while the Federation itself will bear primary responsibility in Bosnia, Macedonia and Montenegro. If the Republics, communes and enterprises do indeed obtain a substantially larger share of the nation's funds, it seems to me that these changes will go a long way toward allaying the nationalist resentments of the Croats and Slovenes at being taxed for the benefit of far-off Montenegrins or Bosnian Moslems.

In fact, although there are still many unanswered questions (such as the meaning of Tito's recent stress on "all-Yugoslav integration" in the economy), the development of Yugoslav internal life under the economic necessities of recent years appears to be pointing toward the realization of the historic, federalist program of the Croats and Slovenes -- that is, the greatest possible autonomy for these more advanced peoples to develop as quickly and extensively as possible, "leading" the rest of Yugoslavia rather than being held back by its weaknesses. And therein lies a veritable complex of historical ironies.

A half century ago, R. W. Seton-Watson in his classic work on the South Slav question and the Hapsburg Empire demonstrated why -- in the interests not ~~only~~ of the Slavs but also of the Hapsburg system and the general peace of Europe -- the Yugoslav peoples had to be permitted peacefully to unite in their own state. What is often forgotten about this unusually prophetic work is that Professor Seton-Watson also insisted that such a state, if it were to develop properly, had to be led by the more advanced, northern or "Austrian" Slavs -- that is, from Zagreb rather than Belgrade. He wrote at a time when Serbia and Montenegro were petty kingdoms, the Croats were still attempting to gain equal status with the Magyars in the Hapsburg system, and the Slovenes were barely conscious of their nationality and did not even have a university in their own language. Nevertheless, he felt that the indubitably higher cultural and economic level of the northern peoples was the decisive factor in the Yugoslav equation.

Today, after the political stupidities and chicaneries of the interwar period, the tragedy of the war, and the numerous ideological irrelevancies of early Communist rule, we see an inexorable advance toward leadership -- in the economy, at least -- on the part of Croats and Slovenes. (And, to some extent, in the political field as well: Although Belgrade remains the capital, Tito is a Croat, the party's chief thinker now -- Kardelj -- is a Slovene, and it is reliably reported that the first man to be offered the post of Federal "Prime Minister" under the new Constitutional arrangements was the Croatian leader Ivan Bakarić.) How ironic, considering the sordid, futile fate of Croatian separatism and the origins of the Partisan movement in western Serbia, Bosnia and Montenegro!

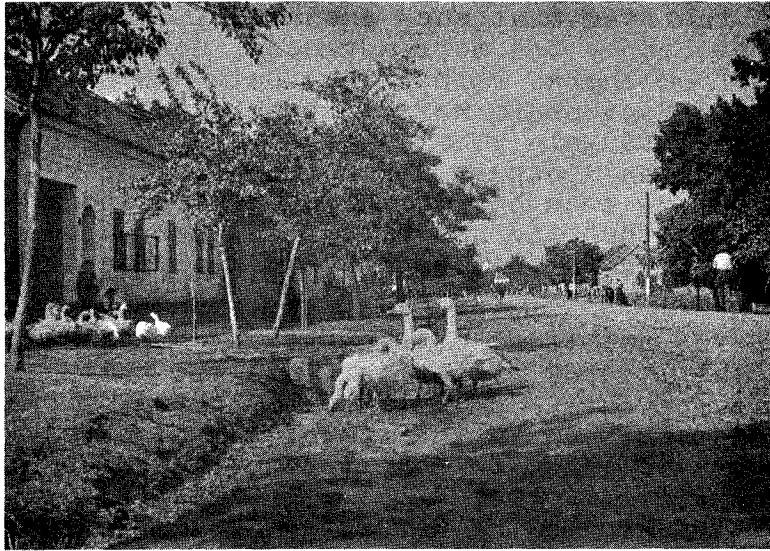
A Freudian would perhaps see in these developments "the return of the repressed," the triumph of "latent" over "manifest" content. Someone who shared Tolstoy's vision of history would surely note again how unconscious men are of the real meaning of the historical events in which they participate. An orthodox (as opposed to Leninist) Marxist might say that economic realities are once again overcoming subjective fancies, that the industrialized, essentially "bourgeois" north was bound to triumph over the "feudal" and agricultural south, no matter what the name or aim of the ruling party.

As for myself, I am content to observe -- and that is the point of this letter -- that the establishment of one-party rule does not and cannot abolish politics, in the sense of the inevitable conflicts of real interests and needs. Politics persists in other forms, some new, some bearing a surprising resemblance to the era preceding the Age of Enlightenment. The conflicts are no less real; they are simply more difficult to crystallize, to adjust -- and to follow.

Cordially,

Anatole Shub
Anatole Shub

Snapshots for a Future Album



VILLAGE IN NORTHEAST BOSNIA



MOSTAR (Hercegovina)

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