

The London School of Economics and Political Science

**WORKERS' SELF-MANAGEMENT
IN THE 'YUGOSLAV ROAD TO SOCIALISM':
MARKET, MOBILISATION AND POLITICAL CONFLICT
1948-1962**

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Abstract

This is the first documented history of the birth and evolution of the workers' councils system in Yugoslavia and the political conflicts that accompanied it. Straddling fourteen years, from the split with Moscow in 1948 to the re-opening of the national question for the first time after the Second World War in 1962, this thesis demonstrates that the progressive opening to the world market after the Tito-Stalin conflict intensified domestic struggles and centrifugal pulls on the federation. Using the archival materials of the ruling Communist Party, government and mass organisations, it explains the stages by which the market came to dominate the party-state's mobilising strategies for society and the shop-floor. In Chapter 1, the introduction of workers' councils is shown to have been a measure to reverse the extraordinary and democratising mobilisation that followed the break with the USSR, by splitting more advanced sections of the working class from those more tied to the countryside. Chapter 2 suggests that the umbilical cord set up from the West to 'keep Tito afloat' allowed the Yugoslav Communists to continue to invest in heavy industry over agriculture in order to escape underdevelopment. This created food shortages and massive resistance to managerial imperatives on the shop-floor. As the country fell deeper in debt, the government intensified market reform under the guise of expanding self-management in order to create an export sector. Chapter 3 sets the stage for open factional conflict in the leadership by noting the gulf between promise and reality in the workplace and on the terrain of complex and uneven domestic development. The main contribution of the thesis is to go beyond history as elite conflict and present it also as a process of class struggle with many mediating instances between the workplace and the state beholden to the world market.

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Abbreviations

CC	Central Committee
CV	Central Council
EC	Executive Committee
FNRJ	Federal People's Republic of Yugoslavia
NFJ	Popular Front of Yugoslavia
KPJ	Communist Party of Yugoslavia
SIV	Federal Executive Committee
SKJ	League of Communist of Yugoslavia
SKOJ	League of Communist Youth of Yugoslavia
SSRNJ	Socialist Alliance of Working People of Yugoslavia
SSJ	Confederation of Trade Unions of Yugoslavia

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Introduction

Yugoslavia was the first country in Eastern Europe to develop a system combining worker participation in firms with a regulated market economy. Its non-aligned position between the Cold War blocs as well as its unusually complex multinational composition accentuated the country's apparently unique route to development for the most part of the second half of the twentieth century. This thesis charts the evolution of the 'Yugoslav Road to Socialism' from its inception, following the Tito-Stalin split in 1948, to its first major economic and political crisis in 1961-1962, ending with an uneasy and provisional compromise in the country's fractured leadership as represented by the resolutions of the Sixth Plenum of the Central Committee of the League of Communists of Yugoslavia. The hypothesis put forward is that the external pressures, exacerbated in particular by the country's western tilt in the Cold War and the debt trap it fell into as a means of securing independence from the Soviet bloc, gradually imposed the competitive imperative of accumulation for its own sake on Yugoslav development strategy, making impossible any notion of the polity evolving into a 'free association of producers'. Prices of goods and services, including crucially labour, came to be compared to world prices in the search for a viable import-export balance. Efforts to organise work and stimulate production for international competition through a participatory economy encountered, domestically, conditions of underdevelopment and regional unevenness that further distorted the endeavour to attain equitable and smooth growth. Even as the dominant faction in the party leadership increasingly championed the pursuit of economies of scale on a federal level and on a market basis, for foreign competition, political struggles developed over control of assets and strategies towards labour, taking on a regional character but an ideological form: the defence of self-management against bureaucratic state centralism.

Historiography

Titoist Yugoslavia drew much contemporary commentary and claimed a unique position in the Cold War set-up on account of its distinctive socio-economic system apparently based on a labour-managed economy. The post-socialist historiography, however, has produced no single documented study of the system of workers' councils despite the slow release of documents through the 1980s, 1990s and 2000s.¹ In that sense, the central plank of 'self-management socialism' has been possibly the most high-profile casualty of the wars of the 1990s in the academic field. The domestic political scene in the 1950s as a whole has been a neglected topic on the research agenda since the end of the Cold War, and no comprehensive account has emerged.² The classical texts on post-war politics in the Anglo-Saxon world remain Dennison Rusinow's *The Yugoslav Experiment* and A. Ross Johnson's *The Transformation of Communist Ideology*.³ Two subsequent additions dealing with the impact of the Tito-Stalin split on domestic elites in the form of Ivo Banac's *With Stalin against Tito* and Susan Woodward's *Socialist Unemployment* dealing with the origins of the economic system have acquired the status of authoritative texts.⁴ Nevertheless, the political histories of the period with closest approximation to archival research are the late achievements of

¹ An unpublished doctoral dissertation by Olivera Milosavljević in fact appeared before the collapse, *Država i samoupravljanje: 1949-1956: doktorska disertacija*, Beograd, 1987.

² The most thorough overview of the decade is still George Walter Hoffman and Fred Warner Neal, *Yugoslavia and the New Communism*, New York: Twentieth Century Fund, 1962. For a short introduction to workers' councils, see Adolf Fox Sturmthal, *Workers' Councils: A Study of Workplace Organization on Both Sides of the Iron Curtain*, Harvard U.P; Oxford U.P, 1964. The official history is useful but without citation of documents: Dragan Marković et al, *Factories to their workers: chronicle about workers' management in Yugoslavia*, Belgrade: [s.n.], 1965

³ Dennison Rusinow, *The Yugoslav Experiment 1948-1974*, London: Hurst for the Royal Institute of International Affairs, 1977 and A. Ross Johnson, *The Transformation of Communist Ideology: The Yugoslav Case 1945-1953*, Cambridge, Mass., 1972.

⁴ Ivo Banac, *With Stalin against Tito: Cominformist Splits in Yugoslav Communism*, Ithaca; London: Cornell University Press, 1988, and Susan Woodward, *Socialist Unemployment: The Political Economy of Yugoslavia, 1945-1990*, Princeton NJ: Princeton University Press, c. 1995. So state two authorities on Yugoslav history in the form of Sabrina P. Ramet, *Thinking about Yugoslavia: Scholarly Debates about the Yugoslav Breakup and the Wars in Bosnia and Kosovo*, 312, and John R. Lampe, *Yugoslavia as History: Twice There was a Country*, Cambridge; New York: Cambridge University Press, 2000, 257, ff. 21

Yugoslav historians Branko Petranović and Dušan Bilandžić.⁵ The post-Yugoslav historiography has, in dealing with post-war Yugoslav politics, developed a damaging tendency to incorporate archival evidence primarily from the perspective of the nationalist legitimization of new states, skewing its vision and preventing it from developing comprehensive judgements.⁶

Moreover, as a leading revisionist historian has pointed out, 'any work on postwar Yugoslavia will suffice' to illustrate the contention that the new system developed 'in response to popular dissatisfaction and the leaders' need to find domestic bases of political support and legitimacy once they had been abandoned by Moscow'.⁷ As for the political history thereafter, 'the literature interprets both the actual conflicts over domestic economic policy and contests by which strategy was formulated and redefined as fights among leaders for personal power (elite conflict); among ethnic groups for dominance or autonomy (national conflict); or among layers in the party and state hierarchy for location of power (conflict between centre and republics, statism and pluralism, plan and market, conservatives and liberals).'⁸

⁵ The former's *Istorija Jugoslavije: 1918-1988. Knj. 3, Socijalistička Jugoslavija: 1945-1988*, Beograd: Nolit, 1988 obviously had access to archival funds but did not directly cite them. The latter's *Historija Socijalističke Federativne Republike Jugoslavije: glavni procesi: 1918-1985*, Zagreb: Školska knjiga, 1985 is more notable for its understanding of economic trends and use of statistical tables.

⁶ See for an overview of the works of the same authors in Todor Kuljić, 'Historiographic Revisionism in Post-Socialist Regimes' in *The Balkans Rachomon – Historiography and literature on Dissolution of SFRY*, Helsinki Files No.11, Helsinki Committee for Human Rights in Serbia, Beograd 2002, 7-47.

⁷ Woodward, *Socialist Unemployment*, 64. For the Tito-Stalin split, a useful overview is provided by Jeronim Perović, 'The Tito-Stalin Split: A Reassessment in Light of New Evidence', *Journal of Cold War Studies*, Volume 9, Number 2, Spring 2007, 32-63

⁸ *ibid.*, 33. She refers in the first batch to Steven L. Burg, *Conflict and Cohesion in Socialist Yugoslavia: Political Decision Making since 1966*, Princeton, N.J.: Princeton University Press, 1983 and Rusinow, *Yugoslav Experiment*. This list could be expanded exponentially. Some examples include Adam Bruno Ulam's *Titoism and the Cominform*, Westport, Conn: Greenwood Press, 1971, originally published in 1952, or Charles Potter McVicker, *Titoism: Pattern for International Communism*, New York: St. Martin's Press, 1957. In the second batch, Woodward cites works that did not deal with the 1950s directly. Thus, Ivo Banac's *The National Question in Yugoslavia: Origins, History, Politics*, Ithaca, N.Y.: Cornell University Press, 1984 deals with the evolution of national ideologies and their impact on the formation of Yugoslavia. The viability of its conclusions for Titoist Yugoslavia has recently been challenged by the contention that even inter-war elites did indeed overcome their conflicts at least temporarily: Dejan Djokić, *Elusive Compromise: A History of Interwar Yugoslavia*, London: Hurst & Co., 2007. The other two works cited deal more with post-1962 Yugoslavia:

The leading Yugoslav historians did not represent a significant departure from this trend, frequently adding an additional layer to the conflict in the form of the clash between workers' councils themselves and actors external to them: fundamentally, self-management against the state. Indeed, Petranović's account derives most of its material on the self-management sector in the 1950s precisely from the only, and unpublished, dissertation on the topic of workers' councils that uses archival documents *Država i samoupravljanje* [*The State and Self-Management*].⁹ The latter work does not depart from the acceptable political boundaries of the academe at the time and indeed makes its central argument that external constraints prevented the self-management sector developing significant autonomy, which leading political luminaries recognised as a problem and tried to move beyond through legislation expanding the share of income at the disposal of work collectives. Moreover, despite sections that deal with the relationship between workers' councils and the state, party and mass organisations, the author fails to develop insights about societal and political struggles over the role of self-management. Its focus remains resolutely the description of trends as viewed from the materials that came from below. This is fruitful and unique but limited.

For, as Woodward points out, 'the oppositions usually postulated in the literature...do not distinguish between systems and policies. A broad conception of policies towards labor does make that distinction, for the state (in its new sense) remained a master employer that

Sabrina Ramet *Nationalism and Federalism in Yugoslavia, 1962-1991*, Bloomington: Indiana University Press, 1992, and Leonard J. Cohen and Paul Warwick, *Political Cohesion in a Fragile Mosaic: The Yugoslav Experience* Boulder, Colo.: Westview Press, 1983. Perhaps a more apposite example is Paul S. Shoup, *Communism and the Yugoslav National Question*, New York; London: Columbia University Press, 1968. Finally, in the third batch, Woodward cites Ellen Turkish Comisso, *Workers' Control Under Plan and Market*, Yale University, London, 1979; Burg, *Conflict and Cohesion*.; Deborah Milenkovitch, *Plan and Market in Yugoslav Economic Thought*, New Haven, CONN. – Yale University Press, 1971; and Rusinow, *Yugoslav Experiment*. A novel addition to this group would be Sabrina Ramet, *The Three Yugoslavias: State-building and Legitimation, 1918-2005*, Washington, D.C.: Bloomington, IN: Woodrow Wilson Center Press; 2006

⁹ Milosavljević, *Država i samoupravljanje*

periodically reorganized society in the adjusting to problems of capital...'¹⁰ Central is her claim that: 'Yugoslav exceptionalism was not the country's system of worker self-management or its multinational state but its international position – its attempt to retain socialism at home and a vigilant national independence while being open to the world economy, which required constant adjustments in the use of labor and organization of employment.'¹¹ One of the leading economic historians of the Balkans summarises Woodward's argument admirably: '[she] blames liberal principles, what she calls the Slovene model, for prompting Yugoslav policymakers to bow repeatedly to Western pressures and reign in investment and imports, thus contracting employment, in order to close a series of surging deficits on current account. She blames the resulting "stop-and-go" policies on a "Faustian bargain" first struck with the West in the early 1950s, namely to receive external aid or credit in return not just for defiance of the Soviet bloc but also for the stabilization of external accounts (pp. 223-27).'¹²

The same reviewer characterised her work as pertaining to the 1960s, 1970s and 1980s as 'sufficiently imposing to deserve a detailed answer from the Western mainstream'.¹³ Nevertheless, there were two major criticisms of her account. The first came from the said review, which sided with 'Yugoslav economists' and 'standard Western accounts' to argue that: '[f]or the first 15 years of Tito's Yugoslavia...neither her assumptions nor her evidence are very persuasive...she argues that the Leninist economic ideology of the NEP period...rather than Stalinist imperatives of total political control informed Yugoslav economic policy before and even during the 1948 and 1955 split with the Soviet Union. So said Edvard Kardelj and a few other party leaders at the time. But beyond citing them,

¹⁰ Woodward, *Socialist Unemployment*, 65-66

¹¹ *ibid.*, 28

¹² See John Lampe's, 'Socialist Unemployment: The Political Economy of Yugoslavia, 1945-1990,' in *The Journal of Economic History*, Vol.56, No.3, 1996, 724

¹³ *ibid.*

Woodward offers no...evidence.’¹⁴ A second problem, coming from a more sympathetic commentator, lay at a conceptual level: ‘[i]t is unclear in the final analysis whether Woodward is arguing that the international system was the source of many of Yugoslavia’s problems, including unemployment, or whether the problem was in fact the decision to embrace (and to stick with) the Slovene model, a decision that could be said to have exaggerated both the power and the costs of regional socioeconomic diversity, as well as the destabilizing interventions of the international economic and political-military order.’¹⁵

More revisionist works appeared after Woodward’s account, with more access to archival materials, and suggested modes of overcoming some of the problems with her approach. These were Carol Lilly’s *Power and Persuasion* and Melissa Bokovoy’s *Peasants and Communists*.¹⁶ Both stressed state-society relations and human agency in contrast to Woodward’s structuralism. Neither dealt primarily with strategies towards labour but they did provide accounts, respectively, of transformative strategies in relation to the consciousness of different sections of the population, and the development of the countryside. One of their important insights pertained to the malleability and pragmatism of leading politicians, which suggested that policy-making was more fluid and creative than either the early or standard accounts, or indeed Woodward’s account, allowed for. Another valuable finding was that popular negotiation and resistance to policies from above had significant impact on the rulers’ course of action. To quote Lilly: ‘the evolving form and content of CPY rhetoric revealed party leaders who, even before the split, were not just ideologues committed to a Marxist-Leninist vision of the future but also very practical power politicians, willing and

¹⁴ *ibid.*

¹⁵ Valerie Bunce ‘Socialist Unemployment: The Political Economy of Yugoslavia 1945-1990’ in *The American Political Science Review*, Vol. 90, No. 4 (Dec., 1996), p. 951

¹⁶ Carol Lilly, *Power and Persuasion: Ideology and Rhetoric in Communist Yugoslavia, 1944-1953*, Boulder, CO: Westview Press, 2001., and Melissa Bokovoy, *Peasants and Communists, Politics and Ideology in the Yugoslav Countryside, 1941-1955*, Pittsburgh, Pa.: University of Pittsburgh, 1998.

able to modify their policies in response to unexpected events and reactions from below. Likewise, the populace was more influential and effective than assumed.'¹⁷ Bokovoy similarly denounced the facile 'use of blind adoption of ideology as the explanation for more than a decade of ideological debate, political confrontation and conflict, peasant resistance and rebellion, and individual soul-searching [which] leaves no room for the actions of individuals.'¹⁸

These insights form the basis for a challenge to Woodward's somewhat strained attempt to demonstrate the continuity in the thinking of the Communist leadership over several decades that her critics use to devastating effect. Both Lilly's extensive research of the materials of the Party and its mass organisations, and Bokovoy's sophisticated presentation of policy debates in various state forums, detect important shifts, manoeuvres and turning points that eluded both standard accounts and Woodward's challenge. These are in fact important pointers and instruments to rescue Woodward's passage to the 1960s by modifying her version of how elites made policy, even though both Lilly and Bokovoy are at pains to express affinity to Woodward's claim that 1948 was not as central to policy-makers as previous accounts held, and to her attempt to present the interlude between 1948 and 1950 as relatively exceptional in its radicalism in relation to the preceding and succeeding periods.¹⁹

This thesis takes on Woodward's use of two independent variables, domestic labour and foreign capital,²⁰ to pursue the corrosive effects of the world market on domestic affairs. Nevertheless, it concedes that any attempt to elide criticisms of the kind levelled at Woodward needs to do more to explain the gap between theory and practice in the 1950s in

¹⁷ Lilly, *Power and Persuasion*, 3

¹⁸ Bokovoy, *Peasants and Communists*, 155

¹⁹ Lilly, *Power and Persuasion*, Chapter 7; Bokovoy, *Peasants and Communists*, Chapter 5

²⁰ To use Lampe's expression in 'Socialist Unemployment...', 724

relation to the existence of a market economy than to assert, as Woodward does, the perennial 'dissonance between elite ideology and elite capacity'.²¹ Put differently, it was not the case that the Yugoslav Communists decided on adopting NEP and then kept it in reserve during the 1950s even when it appeared conditions dictated more Stalinist methods, for its full flowering to later unfreeze once conditions had changed and it was possible to ditch Stalinism. Rather, those who made the strategic choice to follow policies akin to those later dubbed 'reform Communism' in East Europe and to even go beyond them have to be shown to pursue debates, create coalitions, respond to pressures from below as well as pressures from outside the country, just as much as their opponents, in order to renew their base in power and create a following for their choices. Sometimes, it is necessary to show that they had to change completely their approach or make compromises in order to respond to changing conditions. Much of that would clearly have included not just state-society relations but also inter-elite dealings and contests. It is therefore necessary for any approach trying to overcome Woodward's weaknesses, while not returning to the *status quo ante*, to incorporate or directly rebut aspects of the standard historiography in order to explain how and why the Yugoslav Communists ended up experimenting with an open economy in the 1960s even as this led to more and more industrial conflict.

Personal recollections, memoirs and diaries, biographies of leading Communists and interviews with key actors help to shed light on these developments, choices and struggles. Indispensable memoirs that give some indication of the dynamism and informal nature of decision-making are two written by Tito's close associates, members of the inner leadership for much of the time under question, Milovan Djilas and Svetozar Vukmanović Tempo.²² The

²¹ Again, this is to use Valerie Bunce's phrase in a direction different from that intended in 'Socialist Unemployment...', 951

²² The former was Agitprop chief and wrote several lively and worthwhile texts, although frequently unreliable on particulars. For his post-war experiences before his fall from grace as Tito's highest ranking dissident see:

memoirs of Tito's closest companions and rivals for succession for much of this time Edvard Kardelj and Aleksandar Ranković are of less value, with the former concentrating on foreign relations in the early years and the latter on the final two years of the factional show-down in the mid-1960s.²³ The definitive biography of Tito is still to be written but Vladimir Dedijer's classic from the 1950s remains influential and Geoffrey Swain's recent attempt, based in part on archival research, is phenomenally good on Tito's formative political experiences and also foreign policy, which are indispensable to understanding various domestic choices.²⁴ Recent studies of Yugoslav foreign policy also suggest that despite the ideological aspects of Tito's behaviour, he was never ready to give up independence and could only accept closer union with the East on his own terms.²⁵ Dijana Pleština conducted a study in the 1980s based largely on interviews with relevant economic policy-makers and their attitudes to regional policy, which remains a unique and valuable contribution.²⁶

Economic accounts and sociological studies of self-management provide important background information. The Yugoslav system, indeed, spawned an entire literature on the

Milovan Djilas, *The New Class: An Analysis of the Communist System*, San Diego: Harcourt Brace Jovanovich, 1983; *The Unperfect Society: Beyond the New Class*, London: Methuen, 1969; *Rise and Fall*, San Diego: Harcourt Brace Jovanovich, 1985; *Druženje s Titom*, Harrow: Aleksa Djilas, 1980. For a useful biography, see *Djilas: the progress of a revolutionary*, Hounslow: Maurice Temple Smith, 1983. Tempo was a flamboyant figure who held key posts in the army, industry, economy as a whole and the trade unions in this period. The second volume of his *Revolucija koja teče - Memoari*, 2 Volumes Beograd, Komunist, 1971, gives much more sense of economic goings on than Djilas who appears not to have paid particular attention to policy-making.

²³ Edvard Kardelj, *Reminiscences--The Struggle for Recognition and Independence the New Yugoslavia, 1944-1957*, London: Blond & Briggs in association with Summerfield Press, 1982. Aleksandar Ranković, *Dnevničke zabeleške*, Beograd, Jugoslovenska knjiga, 2001. Neither has earned a scholarly biography, although the opus of Dejan Jović is unique in taking Kardelj's political thought seriously. See especially 'Communist Yugoslavia and Its "Others"', in Lampe and Mazower (eds.), *Ideologies and National Identities: The Case of Twentieth Century Southeastern Europe*, CEU Press 2004; 'Yugoslavism and Yugoslav Communism, From Tito to Kardelj', in Dejan Djokić, *Yugoslavism: histories of a failed idea, 1918-1992*, London: Hurst & Co., 2003., and *Jugoslavija, Država koja je odumrla: Uspon, kriza i pad Četvrte Jugoslavije (1974-1990)*, Samizdat B92, Beograd

²⁴ Vladimir Dedijer, *Tito Speaks: His Self Portrait and Struggle with Stalin*, London: Weidenfeld and Nicolson, 1953, complemented by the third volume of documents published after Tito's death, *Novi prilozi za biografiju Josipa Broza Tita*, Rijeka: Zagreb: Liburnija; 1981. and Geoffrey Swain, *Tito - A Biography*, I.B.Tauris & Co.Ltd, London, 2011

²⁵ See especially Svetozar Rajak, *Reconciliation, Yugoslavia and the Soviet Union in the Early Cold War*, London: Routledge, 2011. See also for relationship with the West: *Keeping Tito Afloat: the United States, Yugoslavia, and the Cold War*, University Park, Pa: Pennsylvania State University Press, 1997

²⁶ Dijana Pleština, *Regional Development in Communist Yugoslavia: Success, Failure, and Consequences*, ed: Boulder: Westview Press, 1992

so-called labour-managed firm, which is an indispensable source on various micro-economic trends but remains problematic in so far as it too frequently involved model-building for which the Yugoslav experience provided a test-case rather than development of typologies of the really-existing system.²⁷ The self-critical retrospective by Saul Estrin and Milica Uvalić admitted that the ‘literature offered only modest insights into the operation of the Yugoslav economy, primarily because Yugoslavia did not satisfy many of the basic assumptions of the model. The socialist features of the Yugoslav economy remained dominant, suppressing many of the elements of economic democracy.’²⁸ Put pithily, the theory never ‘said anything about government policy’.²⁹ Various other economic studies all too frequently had the diametrically opposite flaw, for they were fixated on berating the Yugoslavs for not implementing free markets enough.³⁰ David Dyker provided a more thoughtful version, providing a well-researched assessment of some of the similarities in effect but differences in mechanism between Yugoslav and Soviet economic policy in the post-war period,³¹ while Svetozar Pejovich pursued legislation through the 1950s and argued that ‘the Yugoslav experiment has increased the scope and freedom to innovate and has supplied incentives to innovate since 1953’.³² Regional unevenness famously blighted the Yugoslav economy, invariably blamed on the lack of coherent strategy to develop the less industrial areas.³³ Few economic histories tried to systematically work out the impact on the Yugoslav economy of

²⁷ The literature here is significant but for the works of such authors as Ward, Vanek, Horvat and Estrin, see the overview provided by Howard M. Wachtel, *Workers' Management and Workers' Wages in Yugoslavia: The Theory and Practice of Participatory Socialism*, Ithaca; London: Cornell University Press, 1973.

²⁸ Saul Estrin and Milica Uvalić, ‘From Illyria towards capitalism: did labour-management theory teach us anything about Yugoslavia and transition in its successor states?’ in *Comparative Economic Studies* (2008) 50, 663–696

²⁹ See Woodward, *Socialist Unemployment*, 15

³⁰ See for instance: Harold Lydall, *Yugoslav Socialism: Theory and Practice*, Oxford, Clarendon, 1984; Ljubo Sirc, *The Yugoslav Economy under Self-management*, MacMillan Press, London, 1979; and Joseph T. Bombelles, *Economic Development of Communist Yugoslavia, 1947-1964*, The Hoover Institution of War, Revolution and Peace, Stanford, 1968.

³¹ David Dyker, *Yugoslavia: Socialism, Development and Debt*, Routledge, London, 1990

³² Svetozar Pejovich, *The Market-planned Economy of Yugoslavia*, University of Minnesota Press, Minneapolis, 1966 122

³³ See Pleština, *Regional Development*. See also F. E. Ian Hamilton, *Yugoslavia: Patterns of Economic Activity*, Bell, 1968.

international factors.³⁴ The best overviews remain those produced by the Yugoslav economists themselves.³⁵ As for sociological studies, the tendency was for the study of single workplaces or comparison of several to establish the view from the workplace, without establishing wider sociologies of power relations.³⁶

The emphasis in this thesis is, to once again borrow Woodward's terminology, 'to restore attention to what [this account] considers...conflicts to have been about – at base, about a search for the optimal development of material life and the corresponding organization of social life, then about control over economic resources, and only in that context about the political instruments necessary for those goals.'³⁷ There were several key instances, therefore. First, in relation to accumulation for the sake of development,³⁸ this thesis posits that the Yugoslav Communists certainly were consistent in seeking outside sources of capital as a *sine qua non* for emerging from what they perceived as underdevelopment. When the source of aid moved from East to West following 1948, this led to a shift from indirect forms of competitive accumulation to ever more direct forms. Put concretely, the Yugoslav search for modern industry forced the country into a debt trap, which forced an ever greater orientation towards the world market. All investments, goods and services began to be valued from that perspective. Crucially, debates on the wage system, closely tied to the self-management sector, became directly tied to the balance of payments issue and to comparisons with labour

³⁴ See Woodward, *Socialist Unemployment.*, Chapter 7.

³⁵ See Branko Horvat, *The Yugoslav Economic System, The First Labor-managed Economy in the Making*, White Plains, New York: M.E. Sharpe, 1976; Rudolf Bičanić, *Economic policy in Socialist Yugoslavia*, London: Cambridge University Press, 1973; Dušan Bilandžić, Stipe Tonković, *Samoupravljanje, 1950-1974*, Zagreb: Globus, 1974

³⁶ See for contemporary instances, Jiri Kolaja, *Workers' Councils: The Yugoslav Experience*, Tavistock Publications, London, 1965; and Vojin Hadžistević et al, *Tendencija i praksa neposrednog upravljanja radnika u ekonomskim jedinicama*, Institut društvenih nauka, Beograd, 1963. Later classical statements were similar: Josip Županov, *Samoupravljanje i društvena moć: prilozi za sociologiju samoupravne radne organizacije*, Zagreb: Naše teme, 1969

³⁷ *ibid.*, 33

³⁸ M. Haynes and R. Husan, 'Whether by Visible or Invisible Hand: the intractable problem of Russian and East European Catch-up', *Competition and Change*, vol. 6, no.3, 2002, 269-287

productivity on an international scale. This all led to a set of economic reforms in 1961, which amounted to the first attempt to develop an export-oriented economy.³⁹

Second, each major adjustment to the international scene necessitated a different mode of organising the workplace and the polity. Relations with the shop-floor and the working class institutions followed both the imperative to accumulate and to transform society. The market replaced administrative and extensive labour mobilisation as the dominant expression of the 'politics of productivity',⁴⁰ while the 'politics of mobilisation' moved from attempts to attain a state capable of moving 'all of society's resources towards a common goal' to more narrowly political, participatory and educational methods to achieve less grandiose but more intensive aims.⁴¹

Third, changes to industrial and state-society relations provoked different sections of the working class to actively negotiate and resist the imperatives of higher echelons. Relations were fundamentally conflictual, and fought over control of the work process and its fruits. Pressures from below duly affected the terrain on which political struggles were conducted, especially since the Communists saw themselves as both guardians of development and social transformation. Different groups and echelons within the elites began to emerge with different emphases about how to respond to new situations. Splits opened over whether to emphasise economic or political methods, centralisation and decentralisation, material or moral rewards, gradualism or radicalism, elitism or populism, pedagogical or exhortative forms of persuasion, persuasion or coercion, participation or mobilisation. Yet these followed

³⁹ See Diane Flaherty, 'Economic reform and foreign trade in Yugoslavia', in *Cambridge Journal of Economics* 1982, 6, 105-143

⁴⁰ For the classic rendition in the Soviet case, see Lewis H. Siegelbaum, *Stakhanovism and the Politics of Productivity in the USSR, 1935-1941*, Cambridge: Cambridge University Press, 1988.

⁴¹ David Priestland, *Stalinism and the Politics of Mobilisation: Ideas, Power and Terror in Inter-war Russia*, 35. See more generally, 1-57

certain patterns. Fearful of East and West, leading Communists anxiously monitored for signs from less skilled workers of potential weakness towards equalising tendencies and populist or centralising political actors, who could potentially develop pro-Soviet leanings; similarly, they shut down overly liberal tendencies within the leadership for fear of losing Party dominance among the more skilled or the directors and opening the door to the return of multi-party democracy or private property, which could all too clearly creep up through social-democratic tendencies. A third potential danger came from syndicalist or purely working class elements but because of the overall weakness of the working class, the task for the various actors remained to prevent an independent political line forming in the unions. This tendency remained latent throughout and indeed contributed more to the politics of the 1950s than has hitherto been recognised.

Fourth, with time it became clear that these patterns had begun to tend towards the creation of fixed formations, or factions, a dominant market reform wing and a subordinate conservative political wing of the ruling Party. These represented in turn heterogeneous forces but unambiguous dividing lines from each other, following a major market reform of the system prompted by domestic pressures from below and the Hungarian Revolution. The reform came into effect only at the start of 1958, yet instantly caused the first open labour strikes in the post-war period. These rocked the edifice and forced the different coalitions into ways of forestalling pressure from below, which multiplied divergences between them over time and, with market reform intensifying regional imbalances, caused serious tendencies towards regionalisation of the factions, with more developed regions preferring greater decentralisation and less developed more centralisation. The unions under new leadership took a market reform line but on a federal ticket, pushing for further liberalisation. This was attained in 1961 and they were promptly sidelined in favour of more regional actors

following the first post-split recession and the inability of either wing to win a decisive mandate in head-on collisions in 1962.

The Yugoslav Setting

Before moving on to the sources and thesis structure, it is necessary to briefly outline the institutional and regional mosaic that characterised Yugoslavia through much of this period. The country itself was created after the First World War and united territories of vastly diverse historical, socio-economic, linguistic, cultural, ethnic, national, religious and political traditions. Its north-western section comprised formerly Austro-Hungarian lands. Serbia and Montenegro had been independent states before unification, while the southern regions had until just before the First World War been parts of the Ottoman Empire. The question of how to govern such a multinational country dominated its inter-war existence with Serb-Croat relations being particularly fractious and with more widespread resentment at perceived Serbian domination informing the worldview of many opposition forces.⁴² The Second World War swept the country away and its resurrection following the war was largely the achievement of the multinational character of the Communist-led partisan movement. Its promise of federalism ensured that the country retained a level of complex constitutional design intended to prevent the resurgence of any hegemonic project threatening, as the Communists perceived it, the newfound 'Brotherhood and Unity' established through common struggle against the invaders and their domestic allies.⁴³

⁴² See particularly Banac, *National Question*, and Djokic, *Elusive Compromise*. See also Aleksa Djilas, *The Contested Country: Yugoslav Unity and Communist Revolution, 1919-1953*, Cambridge, Mass: Harvard University Press, 1991

⁴³ A general overview is now provided by Stevan K. Pavlowitch, *Hitler's New Disorder, The Second World War in Yugoslavia*, Hurst & Company, London, 2008..

The federal structure went through several major metamorphoses, moving from a Stalin-inspired constitution in 1946, through a new self-management Constitutional Law in 1953, towards a new constitution in 1963. The federation remained throughout this period the ultimate political and economic actor, whether directly through ministries and directorates or indirectly through setting the budget and control of investment, while the component parts in the form of the republics, as well as lower echelons of local government, underwent constant reforms, sometimes at bewildering pace. Whereas before 1952, during the so-called administrative period, the state played a directive role through nationalisation, an obligatory national plan and a unified budget, the period after came to be characterised as the decentralised epoch. The comparative importance of local government increased through the 1950s and its initial atomisation began to give way to consolidation through the decade. One of the main authorities on the process summarises some of the major trends for the 1950s: 'The new economic philosophy stressed that the means of production and the output achieved belonged neither to the workers, nor to the Federation, Republics or communes, but "to all of them in accordance with the social functions represented by each." Accordingly decision-making power in the economy was divided between the workers' collectives on the one side, and the organs of the Federation, Republics and local government on the other. It was a very complex relationship, regulated by the mechanisms of planning, budgeting, management and auditing.'⁴⁴ Social self-management extended rights of participation and management from the workplace to a myriad of social institutions and local self-government, passing authority from career officials to elected groups of experts and citizens. The workplace retained special representation on the parliamentary level since the Council of Producers to which workplaces elected delegates was one of the houses of the bicameral Federal National Assembly.⁴⁵ The

⁴⁴ Frits W. Hondius, *Yugoslav Community of Nations*, Mouton, The Hague, 1968, 213

⁴⁵ See *ibid.*, 192-194.

entire edifice was kept together by means of legislation: 'Whatever withered away, legislation as a function of the State certainly did not.'⁴⁶

The role of the Communist Party (after 1952, the League of Communists) also underwent significant alteration after the war and the split with Stalin. The same occurred to the various mass organisations that the Party had built before or during the war to involve the masses in the struggle for power. This most famously included the Popular Front (after 1953, the Socialist Alliance of Working People of Yugoslavia) which became the umbrella of the mass organisations after the Communist take-over of power. It co-ordinated their work and conducted mass political work. The trade unions also became part of the Popular Front and played a key role in industrial relations throughout. At first, the leadership of the Communist Party sought to use the apparatus at its disposal to seize power and eliminate all opposition, though it is probable that the Communists in Yugoslavia held greater popular support than in most other European countries. It also saw the panoply of mass organisations as a transmission belt for mobilising the masses for the tasks of development and social transformation. After the self-management reforms of 1950, most of these organisations had to formally separate from most sources of power from the top downwards. They had to lead more by persuasion than command. Their hierarchical structure began to give way to more territorial-functional divisions. Nevertheless, they retained a monopoly on the key levers of federal power and assured themselves of representation in all the organs of self-management. The leading bodies of the Communist Party remained the top decision-making forum in the country, to which the state, as well as the political organisations, remained subordinate. All of the organisations under the Communists reflected in their instances of organisation a similar make-up to the state, with federal, republic and local bodies, with power flowing up and

⁴⁶ *ibid.*, 216

down as constitutional changes dictated. The unions had industrial branches as well as regional boards, such that they retained for a long time a more federal and vertical component to their structures, which repeatedly came under attack. Their umbilical connection with the organs of self-management in the workplace, as co-initiators with the government of the first directive on the establishment of workers' councils in industry, their supervisory role over the system of self-management, and their role as initiators of elections to workers' councils make them a remarkably under-researched component of the Yugoslav power relations.⁴⁷

Sources

Through much of this period, therefore, until the final years, initiatives in socio-economic and political relations tended to come from the federal leadership even if they had to respond to pressures lower down. Documents pertaining to the major forums of the party-state where decisions took place or were debated are uneven in their accessibility, preservation and quality. Their usefulness is best categorised according to periods. For the period up to 1953, major state decision-making forums were available. This thesis in particular consults the papers of the Federal Economic Council which co-ordinated the work of the economic ministries and policy-making forums. The role of the Economic Council was central to the First Five-Year Plan and the birth of the self-management system. Its papers were exceptional and form the backbone of much of the early part of the thesis. On the level of the Party, the funds of the Politburo (later the Executive Committee), the Central Committee Plenums and the Organisational Secretariat, remained the major sources, although the Politburo materials were often simply notes of decisions taken and are entirely missing for the key year 1953,

⁴⁷ For a more detailed explanation see Lilly, *Power and Persuasion*, Chapter 2. For a superb study of reform in the 1960s, see April Carter, *Democratic Reform in Yugoslavia: The Changing Role of the Party*, Princeton, N.J.: Princeton University Press, 1982. For the struggle for power in the immediate post-war period, the only detailed work remains Vojislav Koštunica and Kosta Čavoški, *Party pluralism or monism: social movements and the political system in Yugoslavia, 1944-1949*, Boulder: New York: East European Monographs; 1985

apparently because materials close to the leadership were kept to a minimum and dispersed in view of the threat of the USSR.⁴⁸ The archival materials relating to Tito's office have become available but are sparse on self-management matters. More time would have yielded better results but the fund is sparingly used for the purposes of the thesis. Unfortunately, funds pertaining to many key decision-makers remain thin, unavailable or without classification, including over 90 boxes of Kardelj's office in Belgrade. Most key actors have since died or are in advanced old age, making interviews extremely difficult or unreliable.

By comparison, the leading bodies of the Popular Front and trade unions provide much more of a sense for the dynamism of policy-making in relation to the self-management sector. While for the post-1953 period, government papers become hard to come by, with only texts of laws rather than records of discussions littering the various forums of the Federal Executive Council, debates in any case frequently found their way into the leading bodies of the Party and mass organisations. Since major turning points came to be discussed in the Executive Committee sessions and Central Committee Plenums, the reasoning behind decisions and concomitant debates can often be detected. In the post-1958 period, it is exclusively the Party bodies that become the focus of study, since the funds of the mass organisations stop rather abruptly in 1959-1960. Nevertheless, the exceptional quality of the materials, particularly the key debate in the Executive Committee in spring 1962, provide such wealth of information on the reasoning of different tendencies and factions, that a chapter based solely on these appeared entirely suitable.

The State, Party and mass organisations had their feedback mechanisms which indicated more than intra- and inter-elite conflicts. They often captured the dynamic of state-society

⁴⁸ See also Preface to Banac, *With Stalin Against Tito*, esp. xii

relations. While for the early period, echoes of stirrings from below frequently registered even at the highest levels, as the Five-Year Plan envisaged massive labour mobilisation and necessitated close supervision of the labour process, this became more difficult to detect post-1953. Instead, the papers of the Party Organisational-Political Secretariat attached to the Party Central Committee and the records in the Plenums and Presidency of the Central Council of the Confederation of Yugoslav Trade Unions in particular become central to understanding the context in which decisions took place. Reports from union branches on their own activity and the activity of the workers' councils gave some sense of industrial relations. Major gaps remained given the narrow purview of many union activists, such that newspaper reports and the works of contemporary observers often aided attempts at major informed generalisations.⁴⁹ Some documents have also apparently been lost such that Olivera Milosavljević, who alone worked on many of the same union materials, kindly provided copies of key texts relating to the first draft of the directive setting up workers' councils.

This thesis consulted in addition daily or weekly publications that gave some sense of daily activity or what the emphasis of what policy-makers wanted lower echelons or the public to know. Thus newspapers like the Belgrade daily *Politika* and weekly *NIN* complemented the Party and then Socialist Alliance paper *Borba* and the union voice *Rad*. The official theoretical organ of the Party *Komunist* and other official or semi-official publications like *Partiska izgradnja*, *Socijalizam* and *Naša Stvarnost*, as well as academic journals like *Sociologija* and *Ekonomska politika* based in Belgrade, and *Ekonomski Pregled* from Zagreb, gave a broader sense of intellectual trends and social life, though they are rarely directly cited. The contemporary publications of policy-makers, social scientists and politicians, often cited by historians, as well as memoirs, served to plug gaps for thinking at the top. Forays

⁴⁹ Particularly useful was the work of Benjamin Ward, 'From Marx to Barone: Socialism and the Postwar Yugoslav Industrial Firm', PhD Diss., Department of Economics, University of California and Berkley, 1956.

into government publications like the *Službeni list* and *Statistički godišnjak* provided raw legislation, verification and clarification about the claims of various historians, and acted as a (poor) substitute for lack of general social histories of the period.

Thesis Structure

The thesis takes a broadly chronological approach and is divided in three chapters. The first, concentrating on the years 1948 to 1952 but with a section on 1945-1948, establishes that the system pre-1948 did not amount to a separate road from the USSR either in terms of where the leadership thought it was going or in terms of its practice, and that a separate road only arose with the expulsion of Yugoslavia from the nascent Soviet bloc. This insight is necessary in order to establish distance from the revisionist accounts which appear too keen on studying continuities across 1948 sometimes in the face of major evidence to the contrary. Certainly, the discontinuities in approaches to the international market, to labour mobilisation, and to the pattern of political conflict and rule all emerged against the background of the break with Moscow. The realisation that a turn to the West alone could provide long-term security led to the restructuring of the economic edifice inherited from Stalinism. This necessitated ideological cover and self-management provided it. Nevertheless, the choice of self-management was not merely a whimsical decision or derived from the texts of classical Marxism. Rather, it was a response to the strength of labour on the shop-floor as a result of the exceptional level of mobilisation in 1949 that led to the inability of the party-state to impose its will on a highly mobile and self-conscious working class. Struggles over the role workers' councils would play developed between the unions and the government that resulted in several compromises ever less favourable to the union side. Between 1950 and 1952, with economic recession and demobilisation of the body politic, the

choice for gradualism, markets, decentralised elitism and persuasion appeared entirely rational and contrasted with the pre-1948 period. The reforms duly demanded changes in the mode of work of the Party and the mass organisations. This necessitated a radical push on the ideological front that set the stage for the new forms of political conflict among the elites at the Sixth Party Congress and the associated call for 'the withering away of the Party'.

The second chapter, which charts events from 1953 to 1958, begins by reinterpreting the crisis surrounding the fall-out from the Sixth Party Congress both above and below. Indeed, by stressing the latter, with the associated fear among top Communists that the faulty mechanisms of the new economic system were giving rise to disintegrative tendencies that pulled local demoralised Communists and threatened the rise of an alliance of populist directors and the peasantry, the Djilas case which followed the Congress by just over a year proved to be the culmination rather than the beginning of a new process at the top. This reinforced the need for political methods, discipline, administrative intervention in the economy and extreme caution and gradualism. Changes to the economic system managed not to alleviate the structural problems of rising urban population and falling agricultural production and necessitated drastic re-orientation. The pace of re-orientation was, however, outdone by the building of pressures of below such that nerves became jittery among the Yugoslav Communists in 1956 when the Hungarian Revolution threatened to spill over from below rather than above. Acceleration of reform therefore followed, conditioned by the need to overcome equalisation tendencies on the one hand and the change in terms of aid from the West from a grant to a loan basis on the other. At this delicate moment, the emerging market reform coalition feared the rise of a centralising and populist reaction to the demands from below. Consequently, different actors and echelons within this coalition in the party-state began to act to re-engage popular constituencies with the market reform wing but they did not

do so in synchrony, massively raising expectations on the shop-floor by organising the first Congress of Workers' Councils. Just as the new market-oriented reforms came into force in 1958, though, so the first labour strike broke out, bringing the unity of the party-state into question and provoking a conservative reaction.

The third chapter, somewhat shorter than the preceding two in view of the different array of evidence at its disposal, maps the rise of factions in the party-state from the first labour strikes in early 1958 to the open breakdown in relations in the federal apex in early 1962. Its stress is on showing the re-shuffles within the factions, showing the rise of regional actors and their displacement of more all-Yugoslav ones. This followed the inability of either wing to win a decisive victory in 1961-1962. The market reform coalition did take more advanced positions, with the unions having acted as a battering ram for the reforms up to 1962. Their role, however, began to be eclipsed as it became clear that the reform wing in the Party in Slovenia in particular was prepared to begin to mobilise independently to gain advantage. As the most export-oriented and richest republic, Slovenia had an interest in furthering the economic reforms of 1961 rather than moderating them. Meanwhile, the conservative faction, despite its ambition to centralise political controls as the way out of the crisis, began to visibly withdraw from the federal arena as well, with the chief federal representative of the conservative faction complaining about threats to the unity of his home republic, Serbia. This in effect suggested that, when tested, the various wings downplayed their commitment to all-Yugoslav solutions and hoped to use republic levers to attain federal goals. Thus, without giving up on the goal of winning the country to their own conception, both wings had chosen to use a method diametrically opposed to their end. That could only bode ill for the future of the unity of the country.

Chapter 1 – ‘Factories to the Workers!’ 1948-1952

Introduction

This chapter concentrates on the period between the formal expulsion of Yugoslavia from the Cominform in June 1948 to the zenith of the reform project in November 1952 at the KPJ's Sixth Congress. It first sets out the case for viewing the break with the USSR as a point of rupture. Prior to 1948, political radicalism and economic technocracy characterised the leadership approach. Nevertheless, the first Yugoslav five-year plan encountered severe difficulties even before confrontation with the Soviet Union erupted. The return of hierarchies in the party and mass organisations, the intensification of the transformation of the countryside and the resort to extraordinary labour mobilisation began even before the exchange of letters with the CPSU leadership. So did forms of decentralisation as the scaling down of the five-year plan proved necessary. These processes all escalated after the break as the Eastern economic blockade and military threat necessitated the re-orientation of trade and defence policy, particularly between the Second and Third Plenums of the CC KPJ in January and December 1949. Guarantees of Yugoslav sovereignty at the United Nations in late 1949 combined with domestic exhaustion of radical labour mobilisation to persuade the Yugoslav leadership to pursue a more moderate approach.

Self-management in the form of advisory workers' councils had first appeared as an idea in the spring of that year during the concerted campaign by the centre to provide moral incentives to undermine bureaucratic resistances to the plan at lower levels of the party-state.

As it emerged in experimental form some time later, however, at the turn of the year, following the concerted attempt to reverse the mobilisation of the summer and autumn, self-management instead amounted to an assault on the power of labour on the shop-floor. Its official inauguration in mid-1950 furthermore served to ideologically justify massive reductions in public sector employment. Nevertheless, self-management was more than simply an *ex post* excuse for pragmatic tactical measures to recover macroeconomic balances. Resting, as it did, on the explicit undertaking to devolve economic and political power in an anti-statist direction and towards decentralised actors, it implied also the gradual recalibration of microeconomic incentives, collective and individual, moral and material, positive and negative, away from the one-sided preferences of the preceding period. Self-management resembled a new social contract based on market socialism. The transformation of the state, party and mass organisations duly followed to decentralise initiative, prioritise persuasion over coercion and strengthen legality over arbitrariness. Yet all this depended on the resumption of growth.

The KPJ leadership was in fact banking on future receipts of economic and military aid from the West, which duly came to be negotiated in mid-1951 and received in ample supply from mid-1952, as the basis for this new orientation. It envisaged in the future an open economy of worker-run enterprises with minimal state interference. Reality acted as a brake on these ambitions, however. The perceived weakness of the Yugoslav economy in the face of the industrialised and militarised blocs, and the pursuit of national independence, recommended the pursuit of import-substitution and the building of heavy industry as the basis for future development. Domestic regional tensions, exacerbated by decentralisation and market measures, impaired the creation of economies of scale and in fact demanded some recentralisation to create a functioning internal market. That militated against regional

redistribution where no geopolitical or economic returns were obvious. Raising labour productivity, moreover, could not occur on the basis of perpetual self-sacrifice and coercion, yet the imperative of completing the heavy industry projects diverted scarce resources away from the production of consumer goods. Moves to incentivise economising, innovation, training, effort and better organisation of work did take place but remained limited as the country continued to experience recession. Yet, despite the external balance of payments developing into a problem, regional tensions simmering and social apathy spreading, the KPJ convened its Sixth Congress to proclaim its own transformation in line with the new decentralised market socialist system.

Part I – Before the split with Stalin: 1945-1948

Before considering the evolution of the Yugoslav system after the break with Stalin, it is necessary to establish its main features pre-1948 in order to explain levels of continuity and discontinuity. This period was indeed a formative one and marked the rise up the hierarchy of younger party members loyal to Tito at the expense of pre-war and wartime rivals. The changeover in April 1946, as this section demonstrates, had as much to do with conflicts over development strategy as with personal enmities. While neither was monolithic, the dominant group in the inner party leadership certainly took a more independent line towards the USSR, appearing more willing to rely on domestic sources of accumulation than its more regionalist opponents. More than that, it was the comparative radicalism and populism of the former faction that distinguished it from the more gradualist and technocratic group. The five-year plan commencing in spring 1947 reflected the strength of the radicals. It called for rapid industrialisation but gradualism in the countryside; and fiscal rather than administrative

methods in running the economy but political and hierarchical forms of labour mobilisation. The predominance of the priorities associated with Tito's group was clearer in the ambitiousness of the plan than its mechanisms. Soviet planners in fact deemed the plan over-ambitious. As 1947 progressed, moreover, emerging East-West tensions made procurement of essential imports difficult for the Yugoslavs. This forced ever greater reliance on coercive and political techniques towards town and countryside alike. The KPJ continued to trust in the USSR, and indeed carefully cultivated a close relationship with Moscow. For the Soviet presence mattered in world affairs, and the geopolitical security it provided increased domestic policy latitude for Belgrade. With the beginning of the quarrel, however, that latitude ended and the almost total exclusion of the pro-Soviet minority from the party conditioned immediate policy choices further towards radicalism.

'Renewal' and the April Crisis: towards NEP

Partisan forces led by the KPJ alongside elements of the Soviet army liberated Belgrade in October 1944.¹ This gesture perhaps more than any other symbolised the new brotherhood in international relations on which the KPJ hoped to found its new state following a devastating war. The treaty of friendship signed between Yugoslavia and the USSR in April 1945 even before the cessation of hostilities in Europe deepened that impression.² The reality on the ground, however, was that direct Soviet aid for immediate post-war reconstruction was limited. The Soviet Union had suffered massively in the war and its priorities were elsewhere. Yugoslavia instead relied on supplies and services from the United Nations Relief and Rehabilitation Administration (UNRRA) worth \$415.6 million from the start of the

¹ See Pavlowitch, *Hitler's New Disorder*, 215-238

² Perović, 'The Tito-Stalin Split', 39

programme in April 1945 to its termination in June 1947.³ Nevertheless, that was not enough by itself to make up for the tremendous material and human losses in the war, among the highest in Europe: one in nine had died, 3.5 million had been left homeless, production was running at less than a third of pre-war capacity with tens of thousands of skilled workers and professionals killed, and the permanent destruction of significant industrial and transport infrastructure made political administration in an already complex setting a major challenge.⁴ The KPJ therefore had to look to domestic sources of accumulation to renew the country. This would involve exhorting and coercing workers and peasants to unpaid labour and extensive self-sacrifice. Yet the Party also sought to widen its following and secure a mandate to govern. Therein lay its early and intractable predicament.

This was particularly obvious in the period until the elections in November 1945 but continued until April 1946. The Communists' relationship with the working class in particular was contradictory. The KPJ experienced significant turbulence from below as the end of the war brought enthusiasm for change. The raised expectations of the population did not always translate into energies and directions that the Party could channel. Thus when the Central Committee of the KPJ decided to call for the establishment of a single and united trade union in late 1944,⁵ it could hardly have expected that the actual top-down formation of the United Trade Unions of Workers and Employees of Yugoslavia (JSRNJ) in early 1945 would lead to the empowerment of the shop-floor against management, professionals and the state itself. The Communists hoped that the establishment of the minimum wage, social security and guaranteed state-directed supply of consumer goods, inaugurated at the Second

³ Lampe, John R, Russel O. Prickett, Ljubiša Adamović, *Yugoslav-American Economic Relations since World War II*, Durham, MC – Duke University Press, 1990, 21

⁴ Bilandžić, *Historija Socijalističke Federativne Republike Jugoslavije*, 112-113

⁵ Branko Petranović. *Politička i ekonomska osnova narodne vlasti u Jugoslaviji za vreme obnove*, Beograd: Institut za savremenu istoriju, 1969, 124

Plenum of the JSRNJ, would engender more enthusiasm for tasks of reconstruction.⁶ This was not to be the case. A meeting of the Politburo in August 1945 complained that production was falling, productivity declining and workers giving themselves wage rises amid the failure of guaranteed state provisioning to prevent price rises on the black market.⁷ The opposition too had begun to organise, and shocked party leaders singled out a priest being elected secretary of a regional union branch as especially odious.⁸ They worried too because a well-known pre-war social democrat had had to be ejected from the founding union conference in Serbia lest he organised against the KPJ.⁹ The local party organisations in general appeared to be unreliable, defiant of management and taking advantage of corruption in government.¹⁰ A trade union report in January 1946 described the situation troubling party leaders:

‘Many local union heads have disabled the productive apparatus and brought production to 70—50% of its normal capacity, instead of working with the management of the enterprise in working out enterprise plans, they fired and hired workers, staff and managers, according to what the workers decided at meetings. They showed no care in relation to experts or organisers of production. For them every manager was good if he did not demand of workers to come to work on time, [did not] prevent them leaving work early, prevent them going slow on the job, who did not ask for justification for their absences, and similar. Many responsible people in the economic-managerial apparatus – in order to gain cheap popularity became bad union functionaries. They wanted to be tribunes of the oppressed but ended up as charlatans.’¹¹

The inability of the KPJ to stamp its authority on the union movement endangered the electoral campaign of the Communist-dominated Popular Front. The leadership feared that radicalism would alienate more moderate allies. One newspaper article entitled ‘Work in the unions should not come at the expense of work in the Front’ warned that ‘[t]he elaboration of

⁶ AJ Fond Saveza Sindikata Jugoslavije, 117-13-21, ‘II Plenum GO SSJ, Dnevni red i odluke’, 1-2 April 1945

⁷ Branko Petranović, *Zapishnici sa sednica Politbiroa Centralnog komiteta KPJ: 11. jun 1945-7. jul 1948*, Beograd: Arhiv Jugoslavije; Sluzbeni list SRJ, 1995, 77-78

⁸ *ibid.*, 78

⁹ *ibid.*

¹⁰ *ibid.*, 77-79

¹¹ AJ 507, fond CK SKJ, nesignirano, reg. br. 13.200, cited in Srđan Cvetković, *Između Srpa i Čekića, Represija u Srbiji 1944-1953*, Institut za Savremenu Istoriju, Beograd 2006, 471. This is clearly a follow up from Petranović, *Politička i ekonomska osnova*, 116

a particular programme of the working class would play into the hands of those who want to break up the Popular Front'.¹² As the election came closer, though, the union paper became ever less neutral, attacking the Democratic Party candidates or elaborating on why the unions could not be neutral about who controlled the state.¹³ Once the electorate had overwhelmingly returned a Popular Front government, albeit in conditions not entirely free and fair,¹⁴ the Communist hierarchy dominating the unions passed over to the offensive. It tried to assert itself on the shop-floor in accordance with the wishes of the KPJ leadership. Indeed, the Politburo had concluded the previous August that it wanted changes to a law passed in July 1945 that had created the office of the workers' representative (*poverenik*), to be elected in each enterprise and empowered to be in 'permanent contact with state organizations, the management of the enterprise and the union branch'.¹⁵ The provision was to be abolished but that would not occur until mid-1946 with the Basic Law on State Economic Enterprises.¹⁶ Thus the union believed it had to impose itself in the elections of January and February 1946 for the new office of workers' representatives. The result was to further antagonise the working class and earn the union official indictments for 'voluntarism': the press reported that local union branches failed to consult the workforce when composing lists of candidates for the elections, provoking workers to present opposition lists of their own.¹⁷

State power was in Communist hands, then, but state-worker relations were increasingly fractious as the unions planned to move from the more political tasks to the more economic

¹² J.L. 'Rad u sindikatima ne sme da ide na štetu rada u Frontu', 20. Oktobar, 18 May 1945, cited in Carol Lilly, *Partisan Persuasions Communist ideology and the Transformation of Yugoslav Culture, 1944-1948*, PhD. Diss. Yale University, 1990, 216

¹³ *ibid.*, 221

¹⁴ Koštunica and Čavoški, *Party pluralism or monism*

¹⁵ Quoted in Johnson, *Transformation of Communist Ideology*, 159

¹⁶ See the somewhat elite-focused and over-dramatised but nevertheless perceptive discussion of this process in Woodward, *Socialist Unemployment*, 85

¹⁷ Petranović, *Politička i ekonomska osnova*, 121

ones laid down by the August Politburo meeting: 'raising...discipline and developing shock work and [socialist] competition.'¹⁸ The JSRNJ leadership announced a competition in honour of May Day.¹⁹ It was in scale to be greater than the minor competitions hitherto organised locally to overcome immediate problems. They now had to follow the six-month plan compulsory for all industry drawn up in December of 1945, which meant that the point was not to increase production by extending working time but to perform more complex economic and organisational tasks of wider significance by targeted storming. Lowering costs of production through better organisation and intensification of work, establishing norms, economising on costs and increasing care for social property were goals that the Federal Economic Council set for the unions.²⁰ The results economically were uneven across branches but the projected overall figure for growth was achieved.²¹

Nevertheless, while a strategy towards labour was forming in economic terms, it was not developing without serious problems. The Third Plenum of the JSRNJ held in June 1946 took a retrospective look at the success and perspectives of emulation and shock work.²² It took the position that these methods had proven successful and ought to be extended and regularised with bi-annual culminations for May Day and the Day of the Republic in November.²³ Yet the period's relative success held primarily in terms of output but not its transformative goals. Thus while workers had apparently increased production, they had predominantly done so on an extensive rather than intensive basis.²⁴ Often, this was because of their own strength on the shop floor: they wanted material gain for their work and so they

¹⁸ Petranović, *Zapisnici*, 81

¹⁹ Petranović, *Politička i ekonomska osnova*, 341

²⁰ *ibid.*

²¹ Petranović, *Politička i ekonomska osnova*, 328

²² AJ 117-13-22, 'Treći Plenum GO JSRNJ, 8-9.VI 1946. Godine'

²³ AJ 117-13-22, 'Dnevni red i odluke'

²⁴ AJ 117-13-22, 'Zapisnik sa III zasedanja Plenuma Galvnog odbora JSRNJ u Beogradu na dan 8 i 9 juna 1946 godine', 14

sabotaged the setting of norms to generally lower them and earn better for overtime.²⁵ That attitude wreaked havoc on attempts to reduce costs, plan production and raise the overall standard.²⁶ Moreover, the union apparatus did not find it easy to adapt: 'before, we organised the sabotage, today we have to organise emulation':²⁷ so the union often took the side of workers against management in disputes or even tried to run production instead of organising mobilisation;²⁸ it was unprofessional or slack in collecting evidence for use by higher organs;²⁹ and often shared popular beliefs that hard work or technical innovation should be rewarded over improvement in work organisation.³⁰ Overall, the union leaders agreed that a more holistic approach had yet to be attained as political and cultural-educational work had suffered at the expense of narrow economic efforts.³¹ Workers had to accept the goals of the reform for it to work.³² Some apparent pre-war members in the leadership did express concern that worker protection had lost priority for union work, showing that attitudes were slow to change even at the top.³³ Poor co-ordination with the state,³⁴ friction with enterprise directors³⁵ and poor working conditions lent some credibility to their views though.³⁶

The KPJ was, therefore, encountering problems in the political and economic spheres. Its fundamental belief that its rule was tantamount to rule by the working class, and its expectation that workers would begin to act selflessly and according to plan, had run into manifest trouble. Workers fought back against attempts to impose party-state control over the

²⁵ AJ 117-13-22, Đuro Špoljarić, 'O takmičenju: Referat na III plenarnoj sednici glavnog odbora JSRNJ, održane 8.VI.1946 u Beogradu', 6-7

²⁶ AJ 117-13-22, 'Zapisnik', 2-3

²⁷ *ibid.*, 14

²⁸ AJ 117-13-22, Đuro Špoljarić, 'O takmičenju', 5-6

²⁹ *ibid.*, 4

³⁰ AJ 117-13-22, 'Zapisnik', 2

³¹ AJ 117-13-22, Đuro Špoljarić, 'O takmičenju', 4, 'Zapisnik', 9

³² *ibid.*

³³ AJ 117-13-22, 'Zapisnik', 2, 8

³⁴ *ibid.* 4

³⁵ *ibid.*, 5

³⁶ *ibid.*, 2, 6, 8

labour process in much the same way as before the war. The KPJ found itself suffocating self-organisation and self-initiative precisely where it had fostered it before. Even on a more basic level, the truth was that the KPJ, following years of rural guerrilla war, no longer had deep roots in the urban areas. On the contrary, its base was in the peasant army, whose members were not uncommonly hostile to workers. Annual party reports from the republics and regions to the federal centre revealed that the party stood better in the countryside than in working class areas. The report for 1946 from the most developed republic, Slovenia, was illustrative of the dilemmas faced and was indeed damning. It is worth quoting at length:

‘One of the chief weaknesses of our Party is that we don’t have Party people [*Partijaca*] in the industrial centres. This weakness is felt in the whole work and quality of the Party. In industrial centres...party organisations are numerically and politically very weak. The CC itself did not pay enough attention to this. In Maribor where there are 17,000 industrial workers, there are hardly 430 members of the Party. In the car factory in Tezno where 1200 workers are employed there are 25 members but of these only one has been recruited from the factory and he is a white-collar worker [*namještenik*]. Party leaderships in these centres reduced their activity to discussion with the few old social democrats and opportunists who actually have no significance, while the shock workers and other good workers are left to their own devices. Besides this, the opinion holds among our activists, functionaries and partisans that “all these workers who are not in the Party are opportunists, for had they been conscious enough, they would not have been in the factory during the war but would have become partisans.” Such theories are usually spread by white-collar workers who by accident, by chance, came to the partisans and joined the party. Now they jealously guard their positions in the Party and fear the admittance of workers.’³⁷

Notwithstanding the explanation that all ill came from infiltrated class suspects, there was a basic understanding that the KPJ as a whole faced an uphill struggle to renew its own purported base in view of its sectarianism on the shop-floor and its frequent managerial role in relation to the mass of workers. The situation was indeed dire in less industrially advanced regions than Slovenia: factory cells numbered 99 of the 967 Party cells in Macedonia,

³⁷ AJ 507-V/25-15, ‘Centralni komitet Komunistične Partije Slovenije Centralnom Komitetu Komunističke Partije Jugoslavije, 5 februarja, 1947’, 9-10

containing 1783 workers of a unionised workforce of 35077,³⁸ in Banja Luka in Bosnia ‘cells in enterprises are very meagre and frequently only the management are Party members’,³⁹ and the Montenegrin party ‘gathered many peasants, which it did not succeed among the workers:’ it contained a total of just 863.⁴⁰ The report from Serbia does not survive, while the report from Croatia did not give membership figures but laconically stated that the ‘work of the union organisations is not yet in the firm grip of the Party’ which gave rise to ‘the old attitude of workers and certain union officials towards the state...manifested in the raising of unrealistic demands in relation to work and frequent theft’..⁴¹

By contrast, the reports noted the Party’s closer, albeit even more complex, relationship with the peasantry. It appeared that the Law on Agrarian Reform and Colonisation in August 1945, alongside other measures like the liquidation of peasant debt in October, had temporarily won the Party layers of support in the countryside. The figures were indeed not insignificant: 797,000 hectares went to 316,415 peasants and their families, of whom 136,454 had been landless or were colonists, and almost half as much land went to state farms and agencies as well as general co-operatives.⁴² The Party recognised the complexities of the countryside and was sensitive to local variations. Thus the Party report on Tuzla in Bosnia described a situation in which land redistribution encountered among the three main national groups historical memories stretching from the Ottoman period through pre-war Yugoslavia to the recent World War: ‘the law on colonisation and the law on agrarian reform had an important effect on the popular masses and in a positive sense. Some Muslim villages are an exception...and in large part the Croatian masses, which are under the strong influence of the

³⁸ AJ 507-V/25-10, ‘Centralni Komitet Komunističnata Partia na Makedonia Centralnom komitetu Komunističke partije Jugoslavije, 8.VI.1946’, 1

³⁹ AJ 507-V/25-2, ‘Zapisnik sa sastanka Pokrajinskog Komiteta KPJ za BH i članova CK KPJ, 10.VI.1946’, 17

⁴⁰ AJ 507-V/25-22, ‘Pokrajinski komitet Komunističke partije Jugoslavije za Crnu Goru, 31.XII, 1946’, 7

⁴¹ AJ 507-V/25-27, 3

⁴² Bokovoy, *Peasants and Communists*, 38-39

Catholic clergy. Among the Serbian masses we felt strong activity and acceptance of the Law on agrarian reform.’⁴³ The Montenegrin party complained that the small-holding peasantry which constituted the vast majority of the population was trying to manipulate the good will of the authorities. Many families, unjustly according to reports, sought to gain poor peasant status in order to get food aid or gain an extra plot of land in the redistribution of land estates in more fertile areas like Vojvodina.⁴⁴ In areas where living standards were comparatively better and land reform had not impacted on patterns of ownership significantly, by contrast, the KPJ lost ground to traditional foes: ‘because of the weakness of our organisations and the fact that in many local organs of power there are kulaks, wealthy peasant traders and such-like...differentiation in the village has not occurred and is not recurring, except that little bit which is due to agrarian reform and administrative [coercive] measures.’ This was the situation in the Štajerska region of Slovenia.⁴⁵

What support the Communists had gained through the war effort began to be refracted by class and regional variation within the peasantry, as new political and economic realities began to emerge after the war. Moreover, while land reform and abolition of peasant debt had proven on balance popular, measures taken to feed the cities proved to clash with peasant ambitions for autonomy and self-advancement. Food requisitioning had had to cease already in the early summer of 1945 and attempts to get peasants to sell for fixed prices on the open market had strengthened private sellers leading to abandonment of that method by the late summer.⁴⁶ The Economic Council therefore resorted to state-enforced compulsory sales at fixed prices, which in turn had to be backed by legislation criminalising speculation, black-

⁴³ AJ 507-V/25-2, ‘Zapisnik sa sastanka Pokrajinskog Komiteta KPJ za BH i članova CK KPJ, 10.VI.1946’, 1

⁴⁴ AJ 507-V/25-22, ‘Pokrajinski komitet Komunističke partije Jugoslavije za Crnu Goru, 31.XII, 1946’, 7-8

⁴⁵ AJ 507-V/25-15, ‘Centralni komitet Komunistične Partije Slovenije Centralnom Komitetu Komunističke Partije Jugoslavije, 5 februarja, 1947’, 1

⁴⁶ Bokovoy, *Peasants and Communists*, 42

marketing and sabotage.⁴⁷ Moreover, large-scale population movement as internal refugees from within the country and colonists being settled where large landed estates had been broken up, as in Vojvodina, made already problematic issues like housing and transport, devastated in the war, all the more difficult to resolve.⁴⁸ Following the winter of 1945-1946, the demand for economic development began to depend on the resolution of policy towards the countryside where increasing tension was evident.⁴⁹

The Yugoslav leadership consequently keenly awaited plans for longer-term development from the Planning Commission. These had been long in the making, as even early economic forums set up before the liberation of the country envisaged movement towards planned, state-led development in alliance with the Soviet Union.⁵⁰ The first year of renewal had focused on the revitalisation of key objects and the ordering of the country after the chaos and destruction of the war but still lacked coherent direction.⁵¹ As government faced the second year of renewal with a restive population, urgency and perspective counted all the more. Yet the plans that did finally arrive in late March 1946 foresaw more of the same: growth from existing capacity and administrative mobilisation of labour to sow new land in the spring.⁵² The Politburo met on 27 March to discuss foreign policy and the economic plan. The minutes for the meeting were taken in extreme shorthand and it is consequently difficult to reconstruct the deliberations. The result was clear however. Republic leaders all complained about the state of affairs in agriculture and Tito concluded that 'the plan of economic renewal is worthless'.⁵³ The Politburo recorded that there was consensus that economic direction had to

⁴⁷ *ibid.*, 42-43

⁴⁸ *ibid.*, 49-53

⁴⁹ *ibid.*, 53-54

⁵⁰ Branko Petranović. *Politička i ekonomska osnova narodne vlasti u Jugoslaviji za vreme obnove*, Beograd: Institut za savremenu istoriju, 1969, 314-318

⁵¹ *ibid.*, 319-320

⁵² *ibid.*, 322-323, 332-334

⁵³ Petranović, *Zapisnici*, 140

change. It envisaged more market freedom for the peasantry and asserted that it was necessary 'to regulate the price of industrial goods, organise better distribution, open public works and give the peasantry necessary credits'.⁵⁴ The chief economic policy-maker, Andrija Hebrang, did not attend the meeting but the Politburo agreed it would need to discuss the details of how to proceed.

A crisis in the leadership erupted just three weeks later resulting in Hebrang's removal from the Politburo and position as head of the Economic Council and Minister of Industry. The long-term ramifications of this change were enormous since they led to the rise of more radical economic figures who would preside over the introduction of the new economic system several years later. The origins of their radicalism became clear during the clash with Hebrang that started in 1946 but only ended with his arrest and execution in 1948 following his decision to side with Stalin against Tito. The showdown with Hebrang had in fact been brewing for some time. Djilas recounts in his memoirs that Hebrang visibly felt increasingly excluded as decision-making in the Politburo concentrated in an informal inner circle around Tito.⁵⁵ Djilas also alleges that Hebrang had taken what Tito would have considered nationalist positions, defending Croatian interests in post-war discussions over internal borders and opposing the construction of the Belgrade-Zagreb highway.⁵⁶

The crisis in April erupted after Tito vetoed Hebrang heading a delegation to the USSR. Hebrang had sent notes to the Soviet government in September and February seeking joint-stock companies in excavation, energy and transportation systems. The Yugoslavs suddenly narrowed the purview of talks to bilateral shipment of goods for 1946 and postponed talks on collaboration for an unspecified later time. By downgrading talks, Tito could remove

⁵⁴ *ibid.*, 41

⁵⁵ Djilas, *Rise and Fall.*, 98-99

⁵⁶ *ibid.*

Hebrang as head of delegation and send the trade minister instead. This baffled the Soviets, and their ambassador to Belgrade Anatoly Levrantiev tried to discuss the issue with Hebrang and Kardelj.⁵⁷ His conversation with Kardelj did not relieve his anxieties,⁵⁸ so he returned to complain to Hebrang the following day. Hebrang tried to reassure Levrantiev but he was rattled by his sudden demotion. News had trickled to him too that Tito had told a top military leader and close confidant that ‘Andrija cannot go to Moscow, he is presiding over an incorrect economic policy. He is presiding over state capitalism.’⁵⁹ Hebrang surmised that Tito was suspicious that the Soviets had begun sending telegrams addressed to him and not just to Tito and Kardelj as hitherto. Hebrang decided to raise the issue with Kardelj when Levrantiev left. He tried telephoning but Kardelj was not in. Exasperated, Hebrang then sent Kardelj a rambling letter that Kardelj promptly handed to Tito.⁶⁰ Djilas notes that Hebrang’s chosen method, ‘a letter, even though both men were in Belgrade’, could only be read as a challenge to the Politburo.⁶¹

The Politburo duly met two days later to deal with Hebrang but not before Tito had managed to invite Levrantiev to explain that the postponement of economic talks had only occurred so that Tito himself could go to Moscow. Not only did he want close economic co-operation with the USSR but he also desired widening military links.⁶² The historiography has not had recourse to the debate at the Politburo, even though it has been recognised that the minority’s ‘marginalization on the choice of strategy began here’.⁶³ The minutes of the discussion,

⁵⁷ L. Gibianski, ‘The Soviet Bloc and the Initial Stage of the Cold War: Archival Documents of Stalin’s Meetings with Communist Leaders of Yugoslavia and Bulgaria, 1946-1948’, *Cold War International History Project Bulletin*, no. 10 (Woodrow Wilson Center, Washington, n.d.), 113

⁵⁸ Petranović, *Zapiski*, 521

⁵⁹ *ibid.*

⁶⁰ *ibid.*, 521

⁶¹ Djilas, *Rise and Fall*, 101

⁶² L. Gibianski, ‘The Soviet Bloc and the Initial Stage of the Cold War...’, 114

⁶³ Woodward, *Socialist Unemployment*, 83. Woodward erroneously quotes from Vladimir Dedijer, *Novi prilozi za biografiju Josipa Broza Tita*, volume 3, Rijeka: Zagreb: Liburnija; 1981, throughout her section entitled

difficult to decipher due to its note-form, reflected a tense situation. The majority went to pains to downplay differences in relation to the USSR and instead chose to put economics at the heart of the matter, while the minority played foul and alleged lack of democracy in the leadership. This appeared to correspond to the two sides' respective past experiences of each other but the reasoning of the majority in particular was instructive about its strategic thinking.

The majority continued where it had left off at the 27 March Politburo meeting. Tito opened the meeting somewhat defensively by pre-empting criticism of lack of democracy and confirming he had no confidence in Hebrang's role in the economy.⁶⁴ Characteristically, he let Kardelj explain the majority line. Kardelj chose immediately to dismiss ill faith towards the USSR, explaining that the postponement of talks pertaining to the mixed companies had been motivated by the decision to allow Tito to travel to the USSR himself after the Paris Peace Treaties later that year.⁶⁵ Meanwhile, Hebrang's running of the economy was not 'taking enough care about political consolidation in the country'.⁶⁶ Kardelj cited policy towards the peasantry as proof explaining that, while Hebrang had been ill, his staff had taken matters into their own hands and used 'the methods of war communism' which had brought 'stagnation'.⁶⁷ By contrast, Kardelj argued without elaboration in favour of the adoption of 'NEP-like politics [*nepovsku politiku*]'.⁶⁸ Djilas followed, asserting that the major flaw in the economy was 'the disharmony between the enthusiasm of the masses and the leadership'.⁶⁹ He accused Hebrang and the Finance Minister Sreten Žujović, who would also declare for

'Quarrels over development strategy' on 74-83, apparently claiming to be citing the minutes of the April 1946 Politburo meeting. The document is not contained in the volume.

⁶⁴ Petranovič, *Zapisnici*, 148-149

⁶⁵ *ibid.*, 149

⁶⁶ *ibid.*

⁶⁷ *ibid.*

⁶⁸ *ibid.*, 150

⁶⁹ *ibid.*

Stalin in 1948, of inadequate preparation of economic materials for leadership discussions, presumably also as a way of pre-empting accusations about lack of internal democracy. The chief political commissar in the army Svetozar Vukmanović Tempo got embroiled at this point since he apparently felt he had not had much support from the leadership in his reform of the army. He had talked to Hebrang before the Politburo meeting, raising accusations that he himself exhibited lack of communication with leading comrades.⁷⁰

The recorder made patchy work of Hebrang's own response but the thrust of his argument was clearly that the Central Committee acted undemocratically, since it rarely met and could not provide a general outlook to its various commissions and sectors that had become 'cocooned' within their particular own work.⁷¹ There was no criticism and self-criticism in the leadership, he continued,⁷² and admitted he himself was unhappy with the economic situation but whether the policy was socialist or capitalist he did not know.⁷³ The minutes have an aside showing the embattled head of the Economic Council had even raised the issue of disloyalty to Moscow directly: 'it is too bold and farfetched to say that Andrija is conducting politics for the USSR, and Tito for England....?' Hebrang finished by repeating he could not see how he could remain in office if Tito did not have confidence in him. This amounted to an attack on Tito since, according to contemporary understandings of democratic centralism, refusal to hold office signified open disagreement with the line and therefore insubordination.⁷⁴ Hebrang received support from Žujović, who interrupted mid-way to claim that comrades ought to have the right to pose questions.⁷⁵ Significantly, Žujović made no substantive points, unlike Hebrang.

⁷⁰ *ibid.*, 150-151

⁷¹ *ibid.*, 152

⁷² *ibid.*

⁷³ *ibid.*

⁷⁴ Carter, *Democratic Reform in Yugoslavia*, 73-79

⁷⁵ Petranović, *Zapisnici*, 151

By this point, the Politburo session became more heated as it became clear that no compromise was on offer. Two factions had come into being and were now in the open. Accordingly, chief of secret police Aleksandar Ranković brought the first round of discussion to a close by ominously warning that Hebrang's behaviour had not been seen since 'the purge', a reference to the stabilisation of Tito's hold on the Party on his appointment in 1937.⁷⁶ More than that, Ranković informed the Politburo that the writing of such a letter as had given rise to this case by any rank-and-file member would have resulted in nothing short of expulsion.⁷⁷ His criticism of Tempo was comparatively light and restricted to the latter's sparse communication with Tito:⁷⁸ the majority had visibly settled on isolating Hebrang and Žujović. That tactic was clearly working and Blagoje Nešković who headed the Serbian government, stated that he too was in disagreement with Hebrang.⁷⁹

The minutes then descend into extreme short hand but discussion apparently moved on to Žujović, with Tito and Kardelj both attacking him for his stance on inner-party democracy and his running of the country's finances.⁸⁰ Kardelj repeated Tito's charge of 'state capitalism'.⁸¹ Tito then returned to Hebrang to assert that 'since he was liberated [from Nazi internment], he had always run into conflict with the party line in Croatia' and that Hebrang was too 'comfortable' in his economic role.⁸² He made short shrift of Žujović's repeated statement that there was wider discontent over the quality of economic meetings saying there was clearly no unity in the Central Committee and that this 'could not be glossed over'.⁸³ In

⁷⁶ *ibid.*, 152

⁷⁷ *ibid.*

⁷⁸ *ibid.*, 153

⁷⁹ *ibid.*

⁸⁰ *ibid.*

⁸¹ *ibid.*

⁸² *ibid.*, 155

⁸³ *ibid.*

the final stages, new Politburo member from the Army, Ivan Gošnjak, added his voice in support of the majority.⁸⁴ Ranković concluded the case against the minority and raised the spectre of ‘deeper issues’ which, if not dealt with, would become a ‘looming danger’.⁸⁵ Realising his time was up, the chief accused still asserted that he ‘cannot be reprimanded for not following CC policy’⁸⁶ but muttered darkly about the ‘discontent in the peasantry but also in the proletariat’.⁸⁷ Hebrang nonetheless accepted that the letter had been a mistake.⁸⁸

The short-term results of the episode are relatively well-known. The Politburo convened a special commission to investigate the matter. Hebrang received a strict reprimand and was removed from the Politburo.⁸⁹ Hebrang also lost control of the Ministry of Industry and the Federal Economic Council but not the Federal Planning Commission.⁹⁰ The Politburo ratified the recommendations of the Committee and explained that this gave Hebrang the chance to make amends.⁹¹ The wider party would not be informed of this episode and the case was closed.⁹²

The longer-term results of the Hebrang controversy took some time to become apparent. This was because the use of terminology from the debates of the 1920s in the Soviet Union was ‘confusing’, as one of the key participants would admit several years later.⁹³ The inauguration of Kardelj’s ‘NEP’ to replace Hebrang’s ‘war communism’ was more than a metaphor and less than a desire to directly emulate the Bolshevik experience of the 1920s. According to the

⁸⁴ *ibid.*

⁸⁵ *ibid.*, 156

⁸⁶ *ibid.*

⁸⁷ *ibid.*

⁸⁸ *ibid.*

⁸⁹ *ibid.*

⁹⁰ *ibid.*

⁹¹ *ibid.*, 159

⁹² *ibid.*, 159-160

⁹³ Sreten Žujović in his confession of guilt for siding with Stalin, published as an open letter on the front page of *Borba* on 25 November 1950. Cited in Woodward, *Socialist Unemployment*, 76

authoritative textbook on the history of the Bolsheviks by Stalin, the development of socialism went through defined phases: after the Civil War period came NEP, then 'socialist industrialisation', then 'collectivisation' and finally 'the struggle to complete the building of the socialist society'.⁹⁴ Yet the KPJ never publicly spoke of NEP. Thus, standard interpretations explain the policy shift by looking at industry and agriculture separately. This approach reflects Johnson's close reading of the texts of speeches by leading Communists in the period after Hebrang's demotion. He interprets subsequent coded attacks on 'state capitalism' and those who 'attack our permanent class allies – the poor and middle peasant' in the press as the pronouncements of the victorious faction against gradualism in industry and collectivisation in the countryside, positions he concludes must have been held by Hebrang and Žujović.⁹⁵ The decision of the two ministers two years later to opt for Stalin gave the standard interpretation some retrospective weight. As Ivo Banac in his meticulous and authoritative study of factions in the KPJ before 1948 concludes, 'Hebrang's alleged pursuit of a Soviet...economic model is far from proven. His go-slow attitude was perhaps as much a reflection of his economic realism (and of advice from such prewar liberal economists as Mijo Mirković) as of dependence on Stalin's regional strategy.'⁹⁶

These accounts fail to explain the Politburo decisions on 27 March, however. These reflected the serious difficulties the KPJ was experiencing in agriculture and its realisation that further reliance on coercive measures in rural areas to feed the cities would constitute grave political risk. References to NEP were therefore proof of realism and not just radicalism. Resistance to collectivisation, as revisionist historians have shown, in fact later became common to Kardelj

⁹⁴ Joseph Stalin, *History of the Communist Party of the Soviet Union (Bolsheviks): Short Course*, London: Cobbett Pub. Co., 1943. Similar debates on the duration of various periods occurred in China, see David Priestland, *The Red Flag: Communism and the Making of the Modern World*, London ; New York : Allen Lane, 2009, Chapter 7

⁹⁵ Johnson, *Transformation of Communist Ideology*, 59-60, ff.116.

⁹⁶ Banac, *With Stalin Against Tito*, 112

and Hebrang over the period 1946-1948.⁹⁷ What emboldened the majority in its radicalism over the same period was that it came to believe that it would not have to follow a narrowly 'stagist' path but could merge and skip stages, in part by relying on the USSR, in part by implementing new strategies to mobilise labour.

Beyond NEP: The Five-Year Plan and the politics of productivity before the Split

The risk involved in the new Yugoslav approach to industrialisation was two-fold. Firstly, it overestimated both the domestic capacities at its disposal and the aid it would eventually receive. Secondly, it underestimated how the failure to make a leap at one stage of industrialisation could qualitatively worsen prospects in successive phases. Preparations for the five-year plan took place over the second half of 1946 and the early months of 1947. They consciously departed from the preceding premises of slow growth in industry, which had concentrated on already available budget revenues to lift plan and transport. Instead, they expected that voluntary labour, often demobilised soldiers, could fill important gaps, up to three quarters of the value of the objects that still needed to be renewed before the start of the plan.⁹⁸ Symbolically, the March Politburo meeting had decided to concentrate on public works. This ultimately included the construction of the famous Belgrade-Zagreb highway but included other projects.⁹⁹ Such work could act as a prelude to the establishment of an accelerating push, combining several phases from Stalin's *Short Course* all at once, and providing for progressive leaps towards modernity. At that time, what appeared most to embolden planners was the apparent aid forthcoming from the Soviet Union and Czechoslovakia.¹⁰⁰ Having visited Poland and Czechoslovakia in the spring, Tito travelled

⁹⁷ See Bokovoy, *Peasants and Communists*, Chapter 3

⁹⁸ Petranović, *Politička i ekonomska osnova narodne vlasti*, 322-323

⁹⁹ Petranović, *Zapisnici.*, 160-161

¹⁰⁰ Petranović, *Politička i ekonomska osnova narodne vlasti*, 325

next to Moscow from 27 May to 8 June. He headed a wide-ranging and high-ranking delegation, and signed a significant agreement on the establishment of a variety of joint-stock companies, technical assistance for the economy, and supplies for the Yugoslav army and a long-term loan for the Yugoslav military industry.¹⁰¹

The disagreements at the top thus only intensified. Radicals felt emboldened and the gradualists attempted to adapt to the new realities but to restrain and correct what were rapidly becoming megalomaniacal plans akin to Stalin's First Five-Year Plan. This became obvious most sharply in regard to contemporary debates about the relationship between agriculture and industry, which commentators have broadly depicted.¹⁰² Alignments over policy continued to be fluid and disharmonious however. Revisionist historians have provided probably their most noteworthy and fruitful challenge to standard accounts by elucidating the shifting plans of the period. Key to the understanding of the process towards the preparation of the five-year plan was the appointment of Boris Kidrič to the position of president of the Economic Council instead of Hebrang. He had thereby become 'the principal architect of the early postwar economic structure'.¹⁰³ Kidrič was the head of the Slovene administration after the war and received his training in a brief crash course in Soviet economics just before his appointment to federal government.¹⁰⁴ Under him, a progressively reformed and rejuvenated Economic Council played an ever more important role in economic policy. Its purview remained checked, however, by the Planning Commission under Hebrang and the Agrarian Council presided over by the controversial Vaso Čubrilović, one-time

¹⁰¹ Gibianski, 'The Soviet Bloc and the Initial Stage of the Cold War...', 114-115

¹⁰² Johnson, *Transformation of Communist Ideology*, Chapter 8, was among the more perceptive.

¹⁰³ Milenkovitch, *Plan and Market*, 55

¹⁰⁴ Rusinow, *Yugoslav Experiment*, 20

member of the group that assassinated Archduke Franz Ferdinand in 1914 and of the pro-government wing of the inter-war Agrarian Party.¹⁰⁵

All three groups, following the change in line after March and April, agreed that agriculture should play an important part in the financing of industrial take-off. The methods by which this would occur were only broadly settled though. Certainly, ideological commitment dictated that preparations for the plan had to start in the industrial sphere as the dominant sphere of production. Reorganisation of the economy in anticipation of Soviet aid duly began shortly after Hebrang's demotion. The government passed a series of laws from May to December 1946 cumulatively designed to reorganise the state apparatus to enable it to perform the tasks envisaged by the plan that was being elaborated by the Planning Commission. Crucially, the government brought industry and finance under almost total state ownership and control, provoking U.S. wrath over loss of assets in the process.¹⁰⁶ Melissa Bokovoy summarises well how the various factions broadly saw the relationship between the state sector and agriculture, quoting Alexander Erlich's respected study of Soviet industrialisation debates: 'the leadership borrowed Nikolai Bukharin's vision and envisioned that the "commanding heights [would] gradually absorb the backward economic units.'" They believed that the "incentives of market production would lead small producers, especially agriculture, to increase yields and market produce or services and to cooperate with or join the modern, lean public sector at their own pace."¹⁰⁷

The mechanisms of this process were not clear and never coherently stated, though, but evolved over time according to which group gained the upper hand. The Economic Council

¹⁰⁵ See further Stevan K. Pavlowitch, *Serbia: The History behind the Name*, London: Hurst & Co., 2002, 134

¹⁰⁶ See Lampe, *Yugoslavia as History*, 240-241

¹⁰⁷ Bokovoy, *Peasants and Communists*, 57, citing Alexander Erlich, *The Soviet Industrialization Debate, 1924-1928*, Cambridge: Harvard University Press, 10, 75

was the seat of radicalism and dominant in setting the overall agenda for the economy. At first it accepted the change in line at the Politburo, passing an amnesty law to pardon those who had violated collection orders. It then moderately relaxed the purview of collection orders giving more autonomy for agricultural producers to go on the market.¹⁰⁸ Yet Kidrič and his associates responded to the failure of agricultural collections in 1946, which had been expected increase because of stimuli to agricultural production, by limiting republican and local discretion in determining the size of the obligation in March 1947. This followed a direct confrontation between the Politburo and the Serbian party leadership, which held two thirds of the sown land in 1946 but did not fulfil its collection obligations: it was guilty of concessions to the kulak.¹⁰⁹ While this position started from the standpoint that surplus existed and that the problem was collection, the Agrarian Council's position saw these measures as overly punitive and pushed production contracts as a stimulus.¹¹⁰ The Economic Council acceded to the change but in turn insisted on price ceilings to prevent speculation.¹¹¹ Thus it was already clear that the Kidrič group was abandoning stimulus in agriculture as its primary goal in agriculture and instead hoping to use price controls in favour of industry to provide inputs for accumulation.¹¹²

Moreover, in the battle for investments, Kidrič rejected Hebrang's and Čubrilović's pleas to decrease disparities between industry and agriculture: when finally adopted in April 1947, the plan expected industry to develop to 4.9 times the pre-war level on the basis of 41.6 percent of total investment, while agriculture could expect only 7 percent of investment in order to

¹⁰⁸ Bokovoy, *Peasants and Communists*, 63-64

¹⁰⁹ *ibid.*, 67

¹¹⁰ *ibid.*, 68

¹¹¹ AJ Fond Privrednog saveta FNRJ, 40, 'Zapisnik sa konferencije održane u Privrednom savetu sa predsednicima vlada i ministrima privrednih resora narodnih republika održane 28.IV 1947.'

¹¹² A view closer to Yevgeny Preobrazhensky, *The New Economics*, Oxford: Clarendon Press, 1966. Similar tightening followed in early 1948, see Woodward, *Socialist Unemployment*, 113

grow 1.5 times.¹¹³ The Planning Commission and Agrarian Council did, however, gain the upper hand in terms of forms to be implemented in the countryside. They resisted state measures they saw stifling peasant enterprise and successfully sponsored various types of specialised co-operatives. By September 1947, Kardelj had arbitrated skilfully to implement his own vision that represented a compromise position between the two factions: this amounted to general agricultural cooperatives fusing credit, buying-selling, processing-producing and work tasks but based on private ownership of land.¹¹⁴ Kardelj stated in April 1948 that the general agriculture cooperative was the 'lowest type' of amalgamation in the countryside but that it did represent 'an organisational basis for the further development of higher forms of socialised agriculture, i.e. the peasant work co-operative'.¹¹⁵ Even as late as the latter half of 1948, after the split with Stalin, and despite the fact that KPJ member Mijalko Todorović replaced Čubrilović as Minister of Agriculture, the dominant line on the countryside remained that the general agricultural cooperatives would continue to grow gradually and continue to be preferred to collective farms. The focus was on consolidating and improving internal organisation amid the dearth of capital, supplies, transport infrastructure, fuel, machinery and investment.¹¹⁶ Indeed, cooperatives continued to grow moderately in economic terms throughout the period. In 1948 their turnover was almost three times their value in 1945, albeit on a comparable proportional rise in the number of co-operators.¹¹⁷ The state farms meanwhile also trebled in size over the same period but were forced to introduce the brigade system of labour to fulfil export targets.¹¹⁸

¹¹³ Bokovoy, *Peasants and Communists*, 59-63, 73-76. For statistics, see: Joseph Bombelles, *Economic development of Communist Yugoslavia*, 16

¹¹⁴ Bokovoy, *Peasants and Communists*, 76-78

¹¹⁵ *ibid.*, 92

¹¹⁶ *ibid.*, 95

¹¹⁷ John O. Jones, *Agricultural Economics: the report of a short study tour*, Oxford, University of Oxford, 1958, 10

¹¹⁸ Bokovoy, *Peasants and Communists*, 95, Woodward, *Socialist Unemployment*, 125

The compromise growth path in agriculture was, however, barely providing the resources needed to keep up with the rise in the number of industrial workers. The calculation had been and continued to be that aid would allow the Yugoslavs to build both heavy and light industry, the latter as an aid to agriculture but also as a source of foreign currency for imports of capital goods. Greater balance between heavy and light industry, as the Yugoslavs realised, in fact departed from the Soviet experience. Yet it depended on Soviet help. This was clear from the first meeting of the Economic Council chaired by Kidrič in July 1946 to discuss the overall direction of the five-year plan in 1947. Kidrič had to stamp his authority by denouncing the preceding period and its 'state capitalist' deviations, so he made a point of explaining that the first year of the projected five-year plan would be different to the Soviet one because the Soviets had had a different economic structure and that their period of preparation had been longer.¹¹⁹ He proceeded to hammer out what became the mantra in public appearances over the following period:¹²⁰ that the organisational and financial forms prevalent in the economy entailed capitalist 'forms' of accumulation that were at odds with the 'content' which was social accumulation by way of the state sector.¹²¹

To remedy this situation, he suggested transitional forms and indicated how the Yugoslav plan would differ from the Soviet. First, the plan would be an amalgam of individual plans which would progressively be co-ordinated. Second, the plan would need to follow the 'profitability [*rentabilnost*] of every price' in order to indicate which sectors could provide accumulation at the existing level of the economy. On this point, Kidrič added: 'A further example of that which orientational approximate figures should give us is the example of the analysis [about] what level of accumulation would be possible with the help of the

¹¹⁹ AJ Fond Privrednog saveta FNRJ, 40-2-5, 'Zapisnik sa sednice Privrednog saveta održane 18. jula 1946 godine', 1-2

¹²⁰ See Boris Kidrič, *Privredni problemi FNRJ*, Beograd: Kultura, 1950.

¹²¹ 'Zapisnik sa sednice Privrednog saveta održane 18. jula 1946 godine', 2

development of the food processing industry. Comrade Kardelj agrees with our opinion that we should not go down the same path as the Soviet Union in regard to the development of heavy industry. That is why the path of contemporaneous investment in heavy and light industry is valid, since we, unlike the Soviet Union in that period, are not isolated but have its support.¹²² Third, Kidrič insisted on the abolition of income tax on state enterprises but its maintenance for the private and cooperative sectors as a source of accumulation. Marking a break from the preceding period, Kidrič also suggested that republic governments should retain income from republic enterprises as limited decentralisation apparently marked part of the break with 'state capitalism'.¹²³

The conclusions of the meeting, as laid out by Kidrič again, went even further. Despite repetition, their strategic perspective makes them worth quoting at length:

'In further discussion comrade Kidrič expounded on several important questions about the direction of the development of our industry. Political and economic circumstances dictate the ever faster development of our industry. The path of our industrialisation, like its tempo, will not be like in the Soviet Union. Accumulation [in our country] is considerable. The treaty with the Soviet Union will even more speed up its tempo and contribute to its development. We shall throw one part of our industrialisation at that which industrialises our peasant production, since that corresponds to our conditions and needs with particular regard to the needs of our external trade. The riches of our agriculture are huge and with the development of our food processing industry we will be able to give our external trade potential for strong export of agricultural goods to foreign countries. The tempo of our industrialisation should be quick. Political circumstances force us down this road. The

¹²² *ibid.*, 2-3

¹²³ *ibid.*, 3. See also Woodward, *Socialist Unemployment*, 74-83

question of electrification should be viewed not from the point of view of the needs of Yugoslavia but of the needs of the whole Balkans. That is what political circumstances dictate. Our people's republics should develop specific special industries (for example fisheries in Dalmatia and textiles in Slovenia) and in that way give the republics opportunities for accumulation...After a short discussion, in which minister Nikola Petrović underlined the need to plan the sowing of those agricultural products which we shall be able to easily export in two years' time, the conference was ended.¹²⁴

The line connecting agriculture with industrialisation was therefore not a simple one of transferring surplus from the one to the other sector but a more complex and circuitous one. It presumed that Soviet aid would allow for investment that would lift both the industry deemed necessary for the establishment of national and in part regional independence but also industry that would lift agriculture and allow for imports of capital goods by increasing exports. Each aspect of that plan depended on the others and the failure of one would upset balances. Thus, the non-arrival of Soviet aid would endanger the diversification of investment, which in turn would disable the lifting of light industries connected to agriculture, which in turn still would retard agricultural growth, negatively impacting on the ability of agriculture to supply the mounting demands of the growing urban centres, thereby slowing the pace of industrialisation.

While that had not appeared a likely scenario in the latter half of 1946, it became ever more realistic as time passed as geopolitics exerted contradictory effects on economic ties. Namely, clear differences in priority emerged between the Yugoslavs and the Soviets in regard to regional politics during Tito's visit to Moscow in May and June 1946. Aside from trade and

¹²⁴ 'Zapisnik sa sednice Privrednog saveta održane 18. jula 1946 godine', 5

military ties, the two countries discussed Balkan integration, which had been a long-term ambition of the left in the Balkans but had come to be mooted seriously by the Communist Parties only during the Second World War.¹²⁵ Stalin pressed for a slower tempo in regard to Yugoslav ambitions to incorporate Albania while Tito argued against federation between Yugoslavia and Bulgaria, to Stalin's dissatisfaction.¹²⁶ The result was closer bilateral relations between Yugoslavia and the USSR but weakening regional integration in the Balkans. Yugoslav designs to integrate the Yugoslav and Albanian economies did lead to a treaty in November 1946, which foresaw harmonisation of economic plans, co-ordination bodies, customs union, and the equalisation of the Albanian currency with the Yugoslav.¹²⁷ Yet regional politics caused more friction with the USSR as time passed. Albania became the site of a soft power contestation between Yugoslavia and the USSR from the early summer of 1947,¹²⁸ while Tito then performed an abrupt turnaround on relations with Bulgaria in August 1947 by signing of the Bled Protocol envisaging the development of Yugoslav-Bulgarian relations on the Yugoslav-Albanian model.¹²⁹ Moscow secretly but sharply rebuked Tito and Dimitrov for their move, setting the scene for further contestation in early 1948, ultimately resulting in the open split in June 1948.¹³⁰

As foreign policy tensions increased over influence in the Balkans, economic relations stalled. Only two minor joint-stock companies came into existence: the Soviet-Yugoslav Danube Shipping Company (JUSPAD) and a Soviet-Yugoslav Civil Aviation Company

¹²⁵For the history of debates on the national question in the Second International see: Andreja Živković and Dragan Plavšić (eds), *The Balkan Socialist Tradition: Balkan Socialism and the Balkan Federation, 1871-1915*, Revolutionary History, vol 8, no 3, 2003. For the post-Comintern period, see Branko Petranović, *Balkanska Federacija 1943-1948*, Beograd, 1991

¹²⁶ Gibianski, 'The Soviet Bloc and the Initial Stage of the Cold War...' 115

¹²⁷ See Petranović, *Balkanska Federacija*, 159-162

¹²⁸ *ibid.*, 164-175, Jeronim Perović, 'The Tito-Stalin Split', 45-52

¹²⁹ *ibid.*, 185-186

¹³⁰ Gibianski, 'The Soviet Bloc and the Initial Stage of the Cold War...', 115

(JUSTA).¹³¹ Moreover, trade marginally fell in 1947 in comparison with 1946 between Yugoslavia and its principal partners in Eastern Europe, the USSR, Czechoslovakia and Hungary, while only 5 percent of credits promised actually arrived and imports from Western countries rose by over 8.¹³² This in part was the result of domestic difficulties in all these countries, which had to some extent been exacerbated by the rise of West-East tensions through 1947, especially after the announcement of the Truman Doctrine.¹³³

Despite frictions, the Yugoslavs continued to hope until early 1948 that the delays and setbacks in the development of economic relations would be overcome. Extensive signals did exist that Yugoslav-Soviet relations continued to be warm throughout 1947. The trade agreement with the USSR alone, formally negotiated in 1947, pledged industrial plant and equipment to the tune of \$135 million in credit. Further to that sum, several People's Democracies headed by the Soviet Union had offered \$5.5 billion in credit over the period 1947-1951 to cover the five-year plan. It was only in the spring of 1948, moreover, the Soviets had postponed trade talks with Yugoslavia until December of that year.¹³⁴ Perhaps most importantly, whether a ruse or genuine initiative on the part of the Soviets, the Cominform meeting in autumn 1947, when Zhdanov made his famous 'Two Camps' speech, met with great Yugoslav enthusiasm. Geoffrey Swain has persuasively argued that this was in large part due to the Yugoslavs' belief that Zhdanov had supported them throughout: 'Zhdanov made a short speech and supported our stance.'¹³⁵ The issue, as they saw it, was not simply one of international affairs but class struggle. The Yugoslavs pursued the Popular

¹³¹ Jozo Tomashevich, 'Immediate Effects of the Cominform Resolution on the Yugoslav Economy' in Wayne Vucinich (ed), *At the Brink of War and Peace: The Tito-Stalin Split in a Historic Perspective*, [Boulder, Colo.]: New York: Social Science Monographs; 1982, Distributed by Columbia University Press, 93

¹³² Lampe, *Yugoslavia as History*, 243

¹³³ See Woodward, *Socialist Unemployment*, 81-83

¹³⁴ Clissold, *Yugoslavia and the Soviet Union*, 167

¹³⁵ Petranović, *Sednice*, 213. Cited in Geoffrey Swain. 'The Cominform: Tito's International?', *Historical Journal* 35:3(1992), 658

Front 'from below' to explain the failure of the French and Italians to defeat manoeuvres to oust them from government in early 1947: they had stifled mass strikes and could only expect to be weaker as a consequence.¹³⁶ More than that, the Yugoslavs accused Polish leader Gomulka of 'state capitalism' just like Hebrang.¹³⁷ The Politburo recounted that Stalin had picked Belgrade over Prague as the seat for the Cominform.¹³⁸ Kardelj telegraphed to Tito about developments in Poland where the Cominform was meeting so that Tito could deliver a hard speech at the opening of the Second Congress of the Popular Front in Yugoslavia insisting on mobilisation 'from below' as the key to the period both domestically and internationally.¹³⁹

The undertones of their foreign policy radicalism remained central to the break itself. In March 1948, the Yugoslav Politburo for the first time expressed frustrations with Soviet unreliability and heavy-handedness, following Soviet ire over unannounced Yugoslav movement of troops to Albania.¹⁴⁰ Stalin had decided to bring the Yugoslavs to heel by forcing federation with Bulgaria, which led the Belgrade to see Sofia as a 'Trojan horse'.¹⁴¹ So while interests underlay both Soviet and Yugoslav moves, the Yugoslavs appeared critical of Soviet reluctance to antagonise the US in the Greek Civil War: 'They had advised the Chinese Communists to somehow find peace with Chiang Kai-shek. But it became clear that they [the Chinese Communists] had been correct. They [the Soviets] want to reach some position with the Americans to maintain peace.'¹⁴² Since it had become evident that relations were heading towards rupture, the Politburo began downward revisions of their Five-Year Plan to scrap investment in light industry, since the USSR had told them that it would no

¹³⁶ *ibid.*, 657

¹³⁷ Petranović, *Sednice*, 214

¹³⁸ *ibid.*, 216-217

¹³⁹ Swain, 'The Cominform: Tito's International?', 658-659

¹⁴⁰ Swain, *Tito*, 91-95

¹⁴¹ AJ 507-III/32, 6

¹⁴² *ibid.*, 3

longer stand by the military aid agreement and they wanted to keep their army battle ready.¹⁴³ An exchange of letters between the Yugoslav and the Soviet leaderships followed over the following months and the KPJ Central Committee expelled Hebrang and Žujović who took the Soviet side and who again came under accusation for being defeatist in regard to the five-year plan. Even then Tito insisted that the KPJ had not acted against internationalism when insisting on building the Yugoslav economy: 'On the question of the economy, my position and the position of the other comrades has been that our country should show what it can do with its own forces. I thought that that would be a big and beautiful step for the progressive movement in the world. [He gives the] examples of Burma and other countries.'¹⁴⁴

Thus, while such an interpretation added to the understanding of Yugoslav boldness in international relations that provoked Stalin and led to the split in early 1948, its implications for domestic policy have remained uncommented on.¹⁴⁵ Yet the impact of the Yugoslavs' interpretation of the impact international relations in this period would have on their own domestic policies helped determine their radicalism. They had reason to believe that Soviet and Eastern aid would come, so they had rational grounds to believe that to keep on in their domestic politics by mobilising from below would impact on the geopolitical strength of the bloc and ultimately feed back into their own development efforts. That meant that they continued to improvise even as difficulties plagued their efforts through 1947. The difficulties were not only the impact of unpredictable external twists and turns on domestic policies but the dysfunction of the Communists' apparatus on the one hand, and on the other hand the strained viability of their policies and institutions caught between the struggle for renewing legitimacy and raising productivity in an uneven and backward setting.

¹⁴³ AJ 507-III/32, 5-9

¹⁴⁴ See discussion in Central Committee, published in Dedijer, *Novi Prilozi*, book 3, 385

¹⁴⁵ Though see Swain, *Tito*, 86-100

This precise conundrum became obvious at two meetings with diametrically opposed views. The first, chaired by Kardelj, was the Economic Council meeting in June 1947 in the presidency of the federal government, which discussed problems in foreign trade and concluded that the hyper-centralisation and unprofessionalism of the trade apparatus imperilled exports. Relying on initiative 'from below' and departing from Soviet 'forms', while strengthening state oversight, appeared to be the preferred remedy at that point in time.¹⁴⁶ The second meeting, by contrast, was when the Politburo met in January 1948, again to examine setbacks in foreign trade. The leadership spread the blame more evenly by that point, identifying the situation as worst in the port areas, where there were problems with loading materials on to ships. A myriad of reasons existed for this, apparently, but the minutes singled out the unions as the main culprits.¹⁴⁷

The politics of productivity indeed became more contested as the period progressed. Extensive mobilisation eclipsed efforts to intensify work. Elements of coercion also appeared in areas with low industrial capacity and the need to lift industry quickly. Within this mosaic, volunteer labour brigades took centre stage. One revisionist historian has argued that from mid-1946, set-piece construction projects like Brčko-Banovići Youth sucked in tens of thousands of youth mobilised through political youth organisations to lift infrastructure in the country and transform youth values.¹⁴⁸ The KPJ hoped that enthusiasm and propaganda would move young people where material reward and advancement could not be offered. This was apparently overwhelmingly the case in the early stages but became challenging as post-war wave of fervour began to subside.¹⁴⁹ Lilly argues that leading figures in SKOJ

¹⁴⁶ AJ Fond Predsedništva vlade FNRJ, 50-95-197, 'Konferencija po pitanju spoljne trgovine održana 20. juna 1947. godine u Predsjedništvu Vlade FNRJ', cited in Zečević and Lekić, *Privredna politika Vlade FNRJ: Zapisnici privrednog saveta Vlade FNRJ, 1944-1953*, 215-222

¹⁴⁷ AJ 507-III/31, 'Sjednica CK KPJ – od 29.I 1948.', 1-2

¹⁴⁸ Lilly, *Power and Persuasion*, 120-121

¹⁴⁹ *ibid.*, 121-125

clashed repeatedly as those with wider competencies began to realise that youth work overall was suffering as a result. She appears not to be correct that this led to real downgrading of the brigades in late 1947.¹⁵⁰ That would ignore the continued centrality to the Plan of such gargantuan schemes as the construction of the 'Highway of Brotherhood and Unity' connecting Zagreb and Belgrade¹⁵¹ or the 'first phase of the building of New Belgrade [which] lasted from 1947 to 1950...[and where] 142.000 builders, mostly between 14 and 25 years of age, took part in the action.'¹⁵² Coercion, acts of resistance and absenteeism increasingly accompanied voluntary and youth labour brigades, however, causing unease at the top.

A somewhat more complex but unmistakably similar tendency was visible in industry. This process corresponded first to preparations and then adjustments to the five-year plan. The situation on the industrial front necessitated several significant and more lasting reconfigurations than was necessary in the completion of one-off mobilisations around public works. The state tried to induce efficiency by strengthening vertical policy transmission belts but also desired to ensure it could control access to employment and incentives to raise productivity more directly. The former set of changes largely depended on the state apparatus, while the latter depended more on employment strategies. The first change was the creation of a planning and administrative system on the Soviet model in June and July 1946. The state apparatus was rebuilt to include a middle administrative level (*glavne direkcije*) such that planning did not remain an activity in government offices but reliant on enterprises for execution.¹⁵³ Next, budgetary units became autonomous but had to balance their budgets

¹⁵⁰ *ibid.*, 125-128

¹⁵¹ Slobodan Selinić, 'Omladina gradi Jugoslaviju - savezne omladinske radne akcije u Jugoslaviji 1946-1963', *Arhiv*, 2005, vol. 6, number 1-2, 87-101

¹⁵² Slobodan Selinić, 'Počeci socijalističkog Novog Beograda - prva faza izgradnje Novog Beograda 1947-1950' in *Tokovi istorije*, 2007, number 4, 75-96

¹⁵³ Woodward, *Socialist Unemployment*, 72

on a quarterly basis, under the close supervision of financial authorities concerned to make sure that monetary circulation reflected real growth and did not leak money to the private sector.¹⁵⁴ Finally, local government represented the locus of decision-making in relation to employment and consumption.¹⁵⁵ Changes in regard to employment, meanwhile, sought to limit the labour market and tie wages to direct productivity increases, thereby also abolishing the union role in collective bargaining;¹⁵⁶ tie labour and cooperatives to their locality insofar as that was possible in order to inhibit the private sector employment opportunities for those leaving the village;¹⁵⁷ and establish the system of guaranteed supplies and 'factory economies' as Kidrič called them,¹⁵⁸ as a way of maintaining minimum material benefits and comforts as an incentive both to prevent labour turnover and to raise productivity.¹⁵⁹

Having set up the basis of their system, then, the Yugoslav Communists moved to raise productivity from existing capacity against mounting problems. The principal revisionist work on industrial relations in the period 1946-1948 has subdivided the biennial according to three policy priorities: rationalisation after the drying up of UNRRA aid from mid- to late 1947, late 1947 to spring 1948 as preparation for war amid East-West tensions, and finally the remainder of 1948 as the politics of military self-reliance following the break with the USSR.¹⁶⁰ While crucial from the perspective of understanding general trends, this account presumes that macroeconomic policy adjustments had an automatic effect on the shop-floor. Such unmediated consequences did not materialise. Rather, as demonstrated by developments in the union movement between the fourth and the sixth plenums, held respectively at the end of 1946 and the beginning of 1948, mobilisation of the workforce followed a more complex

¹⁵⁴ *ibid.*, 73

¹⁵⁵ *ibid.*

¹⁵⁶ *ibid.*, 84-89

¹⁵⁷ *ibid.*, 89-95

¹⁵⁸ Petranović, *Sednice*, 210

¹⁵⁹ *ibid.*, 102-107

¹⁶⁰ Woodward, *Socialist Unemployment*, 102-128

and autonomous path whereby continued appeals to initiative from below came to be slowly complemented by further attempts to strengthen the transmission belt against the lower echelons of the party-state but without major success. Planned industrial increases and the recovery of living standards among industrial workers did occur but without adequate intensification of labour. Workers continued to resist norms, while fluctuation and the struggle for new workers for certain industries necessitated the partial introduction of coercion. The plan necessitated further absorption of labour from the countryside for the tasks of the following year but agriculture, deprived of investment but relied on for exports, was not making the necessary leap. By the end of 1948, then, progress without rupture on the chosen road was increasingly looking impossible.

The KPJ leadership throughout the period encountered resistance from local party-state hierarchies and suffered from faulty information-gathering mechanisms such that it relied on initiative from below to storm against the scepticism of local cadres and achieve excessive targets. Nor was this in contradiction with the constant attempts to increase the power of the apex:¹⁶¹ the common opponent that the summit tried to sandwich was most frequently the middle bureaucracy. Thus when Kidrič addressed the fourth plenum of the unions, rather than 'adding his voice' to the minister of labour's 'reading the riot act' to the union,¹⁶² he required emphatically action from below to help the state: 'I can emphasise that we, losing a great deal of time on the preparation of plans, in the operational implementation of the tasks of the day, would have made many more errors [than we have] were the unions not admonishing us in timely fashion...were precisely the workers not watching over the implementation of operational tasks.'¹⁶³ While he did appeal for more effort among industrial workers for

¹⁶¹ Asserted in Woodward, *Socialist Unemployment*, 126

¹⁶² Woodward, *Socialist Unemployment*, 87

¹⁶³ See 'Govor na plenumu glavnog odbora jedinstvenih sindikata', in Boris Kidrič, *Privredni problemi FNRJ*, 193

raising productivity, cutting costs and assuring accumulation, since the imperatives of foreign trade demanded it (and 'it is an old truth that that which you acquire abroad you must first pay for in blood at home'),¹⁶⁴ he also emphasised the need, if the plan was to be successful, for new cadres to rise from the ranks of the working class to man machines and run factories.¹⁶⁵ Returning to the common guerrilla war motif of the time, Kidrič ended with an exhortation: 'only if our worker functionaries understand correctly what this is all about will they be able to stand at the head of the activated masses and contribute as much to our new life on the economic front as did the partisan first-fighters [*prvoborci*] contribute in the National Liberation Struggle.'¹⁶⁶ The plenum itself echoed these intonations but not without revealing serious strains. It met in order to generalise competition and shock-work as the method to achieve the five-year plan. Discussing the need for implementing norms in order to succeed, some union leaders noted how unpopular this drive had proved, with the unions in danger of being seen as the enemy by ordinary workers.¹⁶⁷ Nevertheless, the dominant sentiment was that skilled and unskilled workers wanted to compete but that they constantly had to break the resistance of reluctant bosses, often with the help of the union.¹⁶⁸

By the time of the sixth plenum in early 1948, the KPJ still faced similar problems as it had done in late 1946. The problem was that it could offer little but more of the same. Workers confronted the extension of the working day and bad conditions in efforts to achieve the plan, as Kardelj himself admitted in the Federal Assembly. For him, the remedy was no longer to be sought principally from below but from the strengthening of oversight mechanisms from

¹⁶⁴ *ibid.*, 194

¹⁶⁵ *ibid.*, 195

¹⁶⁶ *ibid.*, 196. *Prvoborci* was the term used for those who entered Partisan ranks in the first year of the War.

¹⁶⁷ AJ Fond SSJ, 117-13-22, 'Stenografske beleške Četvrtog plenuma Glavnog odbora Jedinostvenih sindikata radnika i nameštenika Jugoslavije održan 16, 17 i 18 novembra 1946 godine u Beogradu', 38

¹⁶⁸ *ibid.*, 30-31, 44-46, 62-63

above over recalcitrant enterprise directors and local authorities.¹⁶⁹ This subtle modification also somewhat resulted from the lack of success in rationalising production that Kardelj asserted in the Assembly but that had been the subject of a union consultation in March 1947 and the fifth union plenum in November 1947.¹⁷⁰ The completion of the plan had again relied on extensive rather than intensive increases in work such that the sixth plenum witnessed the major reorganisation of union structures to enhance the ability of higher union bodies to concentrate solely on questions of production, while devolving issues seen as less important at this stage, like cultural-educational work, to lower bodies, under the guise of democratisation.¹⁷¹ That did not appear to stifle worker enthusiasm: in 1947 67,029 workers received shock-worker status, while the campaign to introduce norms at the end of 1947 allowed that number to rise spectacularly to 105,016 in the first half of 1948.¹⁷²

Yet the same problems that had plagued production in 1946 and 1947 continued to arise in 1948. The union newspaper still complained at the end of April 1948 that 'rationalisers' did not receive due recognition, just as the third plenum in mid-1946 and as the union consultation of spring 1947 had done.¹⁷³ Despite improvement, unrealistic norms, too, blighted attempts to offer real material stimulus to raising productivity and the unions were often slow in effecting real change or even sided with workers.¹⁷⁴ Fluctuation between workplaces, or between town and country, also hit production as it impacted unevenly on

¹⁶⁹ 'Slabosti i nedostaci naše privredne izgradnje', in Edvard Kardelj, *Problemi naše socijalističke izgradnje*, Knjiga I, Državna i privredna izgradnja, 204-207

¹⁷⁰ *ibid.*, 208-209. See also AJ Fond SSJ, 117-20-51, 'Savetovanje sa predstavnicima glavnih odbora i centralnih uprava Jedinstvenih sindikata Jugoslavije', and, AJ Fond SSJ, 117-14-24, 'V Plenum GO JSJ, 9-10.XI.1947'

¹⁷¹ See key-note speech by union general-secretary Ivan Božičević, published in *Rad*, 24.II.1948, as 'Organizacioni problemi jedinstvenih sindikata', 3-4. See also Mišo Pavićević, 'Značaj šestog plenuma za dalji razvoj jedinstvenih sindikata', in *Rad*, 8.IV.1948, 2

¹⁷² Mišo Pavićević, 'Idejno-politički i kulturno-prosvetni rad Jedinstvenih sindikata', *Rad*, 28.X.1948., 2-3. The key-note speech in full is available in English, M Pavichevich, *Confederation of Trade Unions of Yugoslavia*, Belgrade, 1949, 14

¹⁷³ 'Nepravilan odnos prema racionalizatorima: Radnik koji je povećao kapacitet fabrike za 66% nije proglašen za racionalizatora' in *Rad*, 29.IV.1948, 2

¹⁷⁴ also AJ Fond SSJ, 117-20-51, 'Savetovanje sa predstavnicima glavnih odbora i centralnih uprava Jedinstvenih sindikata Jugoslavije', 13-14. 'Plenum komunalaca završio je rad: Komunalci treba da otpočnu borbu za pravo postavljanje normi' in *Rad*, 20.III.1948, 6

different industries.¹⁷⁵ There was evident strain to supply growing demand in the cities while maintaining control over the countryside. Tito explained to the first jamboree of shock workers in Serbia in February 1948 that special measures taken by the government to allow variable prices for agricultural goods would not hit workers because the state would continue to provide a now increased ration as guaranteed state supply.¹⁷⁶ Judging by the press, the unions started a campaign around the issue of guaranteed supplies for much of the spring.¹⁷⁷

As the split moved into the open by mid-1948, however, coercion began to play a greater role in industrial relations. Drafted from the army to the ministry of mining, Tempo recounts that the ubiquitous planning instrument of the times, the telephone,¹⁷⁸ was ringing from the day he arrived with demands for coal. One evening, he telephoned a particular mine to find the director still there at ten in the evening, 'a sign he took his job seriously'. Tempo asked him whether he had served in the army and, on getting a positive response, told him: 'plan assignments must be completed...we are in a war for industrialisation.'¹⁷⁹ This martial spirit pervaded newspaper reports in the run-up to the union congress in October 1948. Various competitions and stories from production dominated headlines.¹⁸⁰ Already in May, in fact, the Federal Government had created a state directorate to replace the unions as the main body to canalise new labour power to where it was needed. By September, the Bosnian government had formed its own section in order to deal in particular with the labour shortfalls in the

¹⁷⁵ 'Borimo se protiv fluktuacije radne snage u rudnicima', in *Rad*, 30.III.1948, 1, and Lazar Plavšić, 'Fluktuacija radne snage i njene posledice' in *Rad*, 17.IV.1948, 1

¹⁷⁶ 'Govor Maršala Tita na prvom sletu udarnika Srbije' in *Rad*, 10.II.1948, 1

¹⁷⁷ 'Za brže i bolje snabdevanje', in *Rad*, 18.III.1948, 1, 'Nepravilnosti u trgovini po vezanim cenama treba odlučno otkloniti: U mnogim srezovima Hrvatske lokalna sredstva za prevoz robe nisu pravilno iskorišćena', *Rad*, 1.IV.1948, 1, Z. Smailagić, 'Briga sindikata o ljudima: Sindikalni funkcioneri sreza Bugojno za poboljšanje snabdevanja radnika' in *Rad*, 17.IV.1948, 2....

¹⁷⁸ 'A number of years later, J. Stanovnik, now Secretary of the UN Economic Commission for Europe, was asked at a lecture delivered to Swedish economists in Stockholm what sort of devices were used to implement plans in Yugoslavia. He answered: "Telephones!"' in Horvat, *The Yugoslav Economic System*, 43

¹⁷⁹ Vukmanović Tempo, *Revolucija koja teče*, 100

¹⁸⁰ 'Najbolji kolektivi u pretkongresnom takmičenju: Izvršivši date obaveze za Kongres „Končarevci“ daju nove obaveze' in *Rad*, 15.VI.1948, 1, 'Posle pobeđe u kongresnom takmičenju: Sve veći radni polet na autoputu „Bratstvo-jedinstvo“' in *Rad*, 4.VII.1948, 1, 'Takmičenje u čast kongresa Jedinstvenih sindikata: Najbolji kolektivi preuzimaju najveće obaveze', in *Rad*, 3.VIII.1948, 1...

mines.¹⁸¹ This facilitated the process of the 'robbing' of the mines and forests that Tempo presided over in order to maintain industry and exports after a summer when Kidrič had personally gone touring industrial hot-spots in an apparent emulation of Stalin's 'Urals-Siberian' method.¹⁸²

The First Congress of the United Trade Unions of Yugoslavia took place as all the mass organisations were following the first post-war KPJ Congress in July 1948. The atmosphere was still one which lacked clarity. The leaders had obviously not made their minds up how to respond to the crisis following their expulsion from the Cominform. Famously, Tito had littered the closing of his speech at the KPJ congress with odes to Stalin and the congress floor had greeted these with warm approval and chanting of 'Tito-Stalin'.¹⁸³ With economic relations still not totally cut off with the East, the domestic situation was clearly strained but not yet dramatic. Dispatches from the US Embassy in Belgrade over the early autumn did nonetheless note alarm in the population over food rationing.¹⁸⁴

Kidrič thus struck a more sombre note addressing the Congress than he had done at the Fourth Plenum. He acknowledged the difficulties of 1948 which he described as the 'most difficult year' of the five-year plan both for the tasks it had envisaged but also for the unforeseen foreign trade difficulties that had arisen.¹⁸⁵ He asserted the Yugoslavs would prove their allegiance to socialism by redoubling their efforts on the five-year plan. To achieve this, though, he talked of the need to raise productivity and mechanisation in industry and to bring agriculture ever more into the socialist sector by way of cooperatives. The

¹⁸¹ Husnija Kamberović, 'Radna obaveza u Bosni i Hercegovini od 1947. do 1952. godine', in *Radovi Zavoda za Hrvatsku Povijest*, 1993, Vol. 26, 178

¹⁸² See Woodward, *Socialist Unemployment*, 123-124

¹⁸³ *V Kongres Komunističke partije Jugoslavije, 21-28 jula, 1948, Stenografske beleške*, 118-119

¹⁸⁴ Woodward, *Socialist Unemployment*, 125

¹⁸⁵ 'Govor druga Borisa Kidriča', in *Rad*, 25.X.1948, 1

ambiguity over whether Kidrič was pushing for collectivisation remained since he did not define which form of cooperative he meant. Since both the 'lower' and 'higher' forms in Yugoslavia were referred to as cooperatives, his praise of the Soviet Union made it appear he was in favour of an offensive. More than that, Kidrič appealed for self-sacrifice, promising that life would improve in the future and that concrete measures needed to be taken to ensure the quality of goods and secure guaranteed state supplies. The immediate task, however, implied the departure from the approach of broad industrialisation, of completing everything up to '100%'. In what was effectively the first public admission that the plan would be downsized, Kidrič stated that in 1949 'we will concentrate on the key objects of the Five-Year Plan'.¹⁸⁶

The leadership also had to formulate a coherent response to Yugoslavia's expulsion from the Cominform. It continued to appeal to mass mobilisation and self-sacrifice but its rhetoric took on a tone of national pride rather than more class-based anti-imperialism. Whereas Tito had spoken to the first assembly of shock workers in Serbia in February about the Marshall Plan, and linked it to Western belligerence,¹⁸⁷ Kidrič in his speech to the unions in October took a more pedestrian approach by exposing Soviet lies point by point, in synchrony with Tito's well-known decision not to treat the split with the USSR as an ideological issue but a threat to national sovereignty. Both appeals were populist but it appeared that the early 'sectarianism' towards new members had given way to what would later be decried as 'opportunism' on account of the appeal of the national: the KPJ opened its gates to new members who rose in number during 1948 from 285,000 to 483,000,¹⁸⁸ the vast increase occurring from when the split appeared likely to the leadership to be definitive in April to

¹⁸⁶ *ibid.*, 2

¹⁸⁷ 'Govor Maršala Tita na prvom sletu udarnika Srbije', *op.cit.*, 2; 'Govor druga Borisa Kidriča' *op.cit.*, 2

¹⁸⁸ Lampe, *Yugoslavia as History*, 250

December.¹⁸⁹ The proportion of workers had increased by only two percent though, while the leadership increasingly had to deal with a sizeable inner-party opposition loyal to the USSR.¹⁹⁰ To win workers to ever greater exertions against ever greater odds, then, the KPJ found it easier to present sabotage not as an act against socialism but as treason against the homeland. The 'Yugoslav Road to Socialism' faced a struggle for survival from its inception, therefore, not just in the international arena but on the shop floor.

*Part II – The 'extraordinary year' 1949 and the origins of workers' self-management*¹⁹¹

The note of patriotism had been struck days after the split had been made public as the party paper *Borba* initiated a mass 'people's loan' to finance the Five-Year Plan in July 1948, noting that 'the state has not turned for a loan to foreign capitalists, who impose on weaker nations onerous conditions, but to its own people...'¹⁹² Not only did the Yugoslavs have to deal with perceived and real hostility in the West but also increasingly from the East. Stalin imposed a *de facto* blockade which began to slowly take effect and became almost total by the close of 1948.¹⁹³ Czechoslovak, Hungarian, Polish and Romanian non-delivery of material, plant and equipment worth in excess of 2 billion dinars had set the stage for a projected eightfold reduction in mutual delivery of goods between Yugoslavia and the USSR for the year 1949.¹⁹⁴ Consequently, the government envisaged the mass increase of workers in industry by double in the space of six months.¹⁹⁵ It was probably this in particular that led

¹⁸⁹ AJ 507-V/I – Analiza porasta partijske organizacije u 1948.

¹⁹⁰ For Party composition see: *Istorija Saveza komunista Jugoslavije*, Komunist, Beograd, 1985, 362-365. For estimated size of inner-party opposition and its activities, see Ivo Banac, *With Stalin against Tito*, Chapter 4.

¹⁹¹ This section acknowledges Woodward's contribution to a fuller understanding of 1949 as an exceptional year. *Socialist Unemployment*, 129-144

¹⁹² *Borba*, 1 July 1948, 1

¹⁹³ Woodward, *Socialist Unemployment*, 129

¹⁹⁴ *White Book*, 288-292

¹⁹⁵ Woodward, *Socialist Unemployment*, 139

to the careful acceleration of collectivisation without 'dekulakisation' that started with the Second Plenum of the Central Committee in January 1949: additional demand for food and other factors of production from agriculture dictated the need for greater agricultural output and the KPJ calculated that dekulakisation would hurt production.¹⁹⁶ The realisation that the industrial plan for the first quarter of 1949 was lagging, however, detonated an extensive labour mobilisation that started in the summer and reached new heights in the autumn before unceremoniously dwindling out in the winter months. Rather than the promise of U.S. aid in August prompting the decision to stop the extensive labour mobilisation, it would appear that dissatisfaction with the results achieved by the Yugoslav variation of Stakhanovism, chaos in the countryside resulting from the mass campaigns and the geopolitical security attained through election to the U.N. Security Council played a more important role.

The notion of workers' councils did not arise at the end of the year, moreover, as the standard historiography has had it, but first emerged as an idea during the campaign against enterprise managers and the middle administrative level in the economy in the spring. The first draft of the law and the first consultations with the unions took place in late summer but appeared to have been delayed at least in part by the Stakhanovite offensive. The implementation of councils on an experimental basis from late 1949 until its official inauguration in mid-1950 took place in a context very different from the inception of the idea: slackening of labour mobilisation, increasing unemployment and the restoration of managerial hierarchy. Its immediate impact could therefore not be of major mobilisational significance even though that had appeared to be the initial intent. Rather, its overriding importance at this stage was to be an ideological legitimation for political and economic change in the context of international realignment and domestic retreat.

¹⁹⁶ Bokovoy, *Peasants and Communists*, Chapter 5

Towards a Yugoslav Stakhanovism

Congresses and ceremonial assemblies accompanied the second half of 1948 as the KPJ leadership realised it had to re-engage its constituency and strengthen its institutional capacity to mobilise people and resources on a mass scale.¹⁹⁷ The first congress to take place had been the KPJ's Fifth Congress. This was most likely because the party apparatus was still the most loyal and effective force at the disposal of the leadership. The decision to re-assert the primacy of the Party within the Popular Front coalition appeared calculated to take the wind out of the sails of the Cominform, which had accused the Yugoslavs of having liquidated the Party in the Front. Nevertheless, the huge influx of new members over the following six months could not but dilute the effectiveness of the Party. Complaints about the unevenness of Party cells on a local level cropped up in early reports of the Organisational Political Secretariat of the CPY.¹⁹⁸ More disturbingly, republic leaderships grew ever more confident in asserting their autonomy from the Federal apex.¹⁹⁹

The situation prevailing in the Front, pre-eminent among the mass organisations because of its role in the war, also prompted Politburo discussion in mid-October 1948. This followed a June 1948 plenum of the Front at which its general secretary and Politburo member Nešković had argued that its main weakness was an economic approach to mobilisation without politics.²⁰⁰ In the Politburo, Nešković went further. Problems he listed were similar to those being experienced on the level of the Party but evidently more advanced: the Front was politically weak and faced political opposition from the Church in Slovenia; in places,

¹⁹⁷ Woodward, *Socialist Unemployment*, 128

¹⁹⁸ AJ 507-V, K-I, 'Analiza porasta partijske organizacije u 1948 god.'

¹⁹⁹ *Ibid.*

²⁰⁰ AJ Fond Socijalističkog saveza radnog naroda Jugoslavije, 142-16-43: *Sednica plenuma Saveznog odbora Narodnog fronta Jugoslavije: Stenografske beleške*, 35-45

voluntary labour resembled 'feudal' work relations; trade unionists detached themselves from the work of the Front; in several Republics organisational failures made recruitment inadequate or even basic cells on a local level, as in much of Croatia, entirely non-existent.²⁰¹

He repeated these issues again in a November Plenum of the Popular Front, arguing that 'we too often value mass voluntary work only from its immediate material effects...often, our comrades on the ground work in such a way that of 'voluntary' work, only the name remains...consciousness [consciousness] towards work in the interests of the construction of socialism is neglected.'²⁰² The leadership of the Popular Front listened to admonitions by top Communists that 'liquidation of these phenomena – the underestimation and neglect of the Popular Front – is our first and most important political task today'.²⁰³

Not only politics was missing but also coordination of work. The initial response to mend this problem was the linking of the mass organisations horizontally by way of advisory councils, as decided on 1 September,²⁰⁴ and vertically: 'Kardelj's reform...had legislated district branches of the party's control commission on September 25, the commissariats...were also resurrected on October 18 to give party members in the militia and security forces...supervisory roles in the execution of federal tasks.'²⁰⁵ Labour conscription took on an increasing role moreover. Yet throughout 1948, different regional patterns emerged in terms of mobilisation. Slovenia managed to work out rough numbers of available surplus labour in the countryside by the end of October 1948 while Bosnia where some of the most intense mobilisation occurred through 1949 did not have anything but estimates throughout

²⁰¹ AJ 507-, III/37, 3

²⁰² 'Organizacioni problemi narodnog fronta – referat druga Blagoja Neškovića', in *Borba*, 21 November, 1948

²⁰³ Kardelj, 'Protiv potcenjivanja i zanemarivanja rada u narodnom frontu' (Iz govora na sednici Saveznog odbora NF, 27 novembra 1948), in *Problemi naše socijalističke izgradnje: Državna i privredna izgradnja*, Vol. I

²⁰⁴ Woodward, *Socialist Unemployment*, 128

²⁰⁵ *ibid.*; AJ 507-V/I, 'O nekim organizacionim problemima'

the year.²⁰⁶ Fluctuation was in fact massive: 'for every 100 workers employed in permanent positions, 587 workers had to be recruited and, on average, another 300 members of special Popular Front brigades and 70 members of the League of People's Youth...'²⁰⁷ Mass volunteer projects also stretched supply lines and increased fluctuation. The Central Committee saw the construction of the Belgrade-Zagreb highway and New Belgrade as such priorities that it envisaged the participation of 160,000 young people in the projects and banned the use of volunteer youth brigades anywhere else throughout 1949.²⁰⁸ In the event, they managed some 197,000.²⁰⁹ Despite this, poor working and living conditions doubled the rate of desertion in the Belgrade works, totalling 1,000.²¹⁰ Finally, there was expenditure of an unforeseen type, in both the productive and non-productive sector, of state funds: 'In all departments, as in the federal, so in the republic and local organs and enterprises, the phenomenon of the brutish breach of socialist legality and plan-related discipline in terms of the wasteful spending of funds earmarked for consumer goods has established itself. This phenomenon...has started in some cases taking serious proportions and has become an anti-plan and anti-state, enemy activity and the sabotage of the execution of the Plan.'²¹¹

For leading policy-makers, therefore, lack of political capacity and disproportions in the economy became the most obvious emanations of crisis. At a series of meetings in late 1948 and early 1949, leaders clashed over what aspects of the crisis to emphasise. Susan Woodward provides a sophisticated analysis of this period in particular in claiming that for the federal leadership the 'primary problem of enforcement of policy...now lay with the

²⁰⁶ Husnija Kamberović, 'Radna obaveza u Bosni i Hercegovini od 1947. do 1952. godine', 182

²⁰⁷ Woodward, *Socialist Unemployment*, 139

²⁰⁸ AJ 507-III/38, '10. januar 1949. godine', 3

²⁰⁹ Selinić, 'Omladina gradi Jugoslaviju', 89

²¹⁰ *ibid.*, 97

²¹¹ AJ 40 – 8 – 3, 'Zaključci konferencije ministara poljoprivrede, trgovina, industrije i komunalnih poslova, održane 7-I-1949 u Privrednom savetu Vlade FNRJ o proizvodnji, otkupu i preradi svinja i uljarica za masnoće.'

republics.’²¹² Tito argued at an inner cabinet meeting in his private quarters (*‘sastanak kod druga Tita’*) on 18 December 1948, in anticipation of a Central Committee Plenum scheduled for January 1949, that the foreign exchange crisis ‘required the centre to give priority to imports for projects “that contribute to capital production – heavy industry, mining, transport and the army”.’²¹³ The strictest centralisation of foreign trade would therefore curb republic autonomy in that regard. Instead, the federal leadership wanted them to concentrate on supplying the basic needs of the population, which required them to orientate towards investment in articles of mass consumption, enforce compulsory purchases from the kulak and cut budget deficits by reducing the civil service.²¹⁴ Furthermore, the government imposed ceilings on republic investments and demanded personnel changes. Finally, ‘[t]he shortages of necessities and the unauthorised monetary expansion..., the leaders said, gave them no choice but to centralize control over supplies and ration goods temporarily.’²¹⁵

This account is important but nevertheless exaggerates when it claims that: ‘[f]or Kidrič, centralized control over distribution posed a serious problem because it threatened the fundamental instrument of economic incentives to producers...’.²¹⁶ Abandoning centralised control of distribution was certainly a goal in the long run,²¹⁷ and that was in fact revolutionary because it started from the premise that the law of value operated even within the socialist sector, an admission the Soviets were not to make until 1956.²¹⁸ Nevertheless, the greatest immediate threat from the leadership’s standpoint was the increasing imbalance between town and countryside, and its implications for the erection of heavy industry. Thus, Kidrič in fact insisted on lowering the ‘purchase’ fund in the state sector as a counter measure

²¹² Woodward, *Socialist Unemployment*, 130

²¹³ *ibid.*

²¹⁴ *ibid.*, 131

²¹⁵ *ibid.*, 132

²¹⁶ *ibid.*, 132

²¹⁷ Petranović et al, *Sednice*, 103-106

²¹⁸ Milenkovitch, *Plan and Market*, 56

to the higher 'commodity' fund in the private sector. For him, excessive spending in the state sector in particular endangered the plan. Kidrič explained that higher than warranted expenditure in the state sector emboldened capitalist elements in the countryside. That was because higher payments not tied to real rises in production saw funds leave the state sector for goods from the wealthy agricultural private sector at black market prices. Over the longer run, that starved the state sector of funds for future production crippling any challenge to the private sector. Kidrič was, therefore, defending the practice of centralised control of distribution in the immediate term while the state was still locked in combat with private elements in the countryside and was unable to out-produce them. The state's combination of guaranteed supplies through compulsory purchases and a limited market with variable prices for different agricultural commodities, reinforced by a growing and mechanised cooperative sector, amounted to a set of aggressive tactics against the private sector. It sought to simultaneously stimulate and capture higher amounts of surplus from the private sector, ensuring higher rates of investment and gaining competitive advantage. By contrast, the People's Democracies, and the system under Hebrang and Žujović, with nominally freer markets amid a sea of peasant small holdings, according to Kidrič, had stronger private elements in the countryside, lower supplies and lower real wages, and a lower rate of investment.²¹⁹

Despite having to take a step backward in its plan as a consequence of its international isolation, then, the majority in the leadership perceived its strategy as a continuing offensive at an altogether higher level of advancement towards socialism than their erstwhile allies. The republics upset these plans because in view of the 'the change in the social structure and proportionately in the quantity of consumption' their investments had 'an incorrect

²¹⁹ Petranović et al, *Sednice*, 104-112

tendency...to produce machines, not articles of mass consumption.'²²⁰ Additionally, the republics represented the weak link in the chain, not from a narrow financial viewpoint, but from the standpoint of materials and labour 'because the republics have wide plans' (as opposed to the narrow plans focusing on key objects, as the federal leadership had).²²¹ This led to 'completion between enterprises, fluctuation of workers, etc',²²² which in turn upset the balance between 'purchase' and 'commodity funds'. The key continued to be increasing output and cutting costs in industry, while providing goods from agriculture. Kidrič affirmed to the Central Committee plenum that increasing output while cutting costs of production: 'I think that, especially in regard to coal and foreign trade, that is the imports of raw materials, industry must above all give its maximum contribution to our economy, and not expect from coal and foreign trade that they will...in this period help it in some way.'²²³ This was to occur on the basis of storming. Kidrič, in his summing up, agreed with the federal minister for mining about the need for a proactive approach to opening new bases for production of raw materials, which, he claimed, the republic leaders had ignored in discussion and which the federal minister for mining had solved through the use of the brigade system of labour.²²⁴ To maintain the industrial working class, guaranteed provisions had to go up by 30 percent. Agriculture had to give more, and state control had to somehow increase. Edvard Kardelj's concluding remarks in the set-piece discussion on 'The Peasant Question' is worth quoting at some length because it places the collectivisation drive in the context of industrialisation:

'Comrade Tito has correctly noted that what we have set out today, at the Plenum, should not be understood as some great turn [this is an implicit reference to Stalin's 'Great Turn'] in our country...In that sense, it is also correct what comrade Plavi [Mijalko Todorović] has said, that this year is in fact the year of the broad preparation for the mass collectivisation of the country, a year which will, in that regard, if we work correctly, bring us such significant results that we shall, next year, with a greater degree of

²²⁰ Dedijer, *Novi Prilozi*, 3, 240

²²¹ *ibid.*, 239

²²² *ibid.*

²²³ Petranović, *Sednice*, 175

²²⁴ *ibid.*

mechanisation, be able with full force to descend on that task...It is clear that we would, if we were to implement Soviet experiences, in the last analysis, emerge victorious. Our path is, after all, the very same path, but there are things that we could and must avoid. We have to avoid the negative [economic and political] consequences of that great turn from the individual to the collective, which came to the fore in Soviet practice. It is for that reason that we think that that transition stage, those transitional forms [co-operatives and collectives], can in our case be broader and that the crossover by the peasant can occur in several stages. Why should we be afraid of granting certain concessions to the middle peasant, who as of yet cannot decide over whether he should join a co-operative...The problem of collectivisation is for us, today, above all the problem of the middle peasant, of the small peasant too, but above all of the middle peasant. And the poor peasant, who has a little bit of land and who is by his psychology already a proletarian, should be sent to industry to work there, because he will be able to blend in with the rest of the working class.²²⁵

Even in retreat, the Yugoslav Communists maintained their firm commitment to making offensive leaps. From the rich variety of makeshift measures developed to maintain a high level of accumulation and investment, the urgency and sharpness of the reorganisation of the federal arrangement to aid planning, and the extreme delicacy of the urban-rural balancing act at a time of socio-political transition, it must be clear that Tito and his closest associates were staking much political capital on a very bold and risky gamble in extremely fraught circumstances. They had avoided desperate moves in any direction for fear of popular dissatisfaction but they had also realised that, all factors on the international stage being equal, they had until the following year to attain the foundations of their industrial take-off. Their plans depended on exact execution.

It was precisely this that the Yugoslav Communists soon found they could not secure. The Economic Council held two major conferences, the first in February and the second in March that confirmed that the plan was stalling and found the weakness was policy towards labour. At the February meeting, Kidrič posited vertical controls as the solution: 'The President [of the Economic Council, Kidrič] stresses that it is necessary to reach equilibrium between

²²⁵ *ibid.*, 87-92

purchase and commodity funds and to change attitudes towards this important question. Up to now nothing has improved in this regard: wages are still being increased, categorisation is being implemented against the law, there is no struggle against fluctuation...Coordination of the struggle across the front – from the ministry to the enterprise will guarantee its success.’²²⁶ Nevertheless, the discussion appeared to suggest problems would persist. The Minister of Heavy Industry complained that there was no central enforcement of norms and tariffs such that workers moved to republics where their skills levels would automatically move up and entitle them to greater pay. The Minister of Mining went even further and admitted his ministry had no reliable statistics on labour. He merely noted that recent legislation had increased wages by 30 percent in an attempt to overcome labour shortages²²⁷ but productivity had gone up only 12 percent. Similarly, the Minister of Finance complained that local enterprises paid more than federal enterprises in an attempt to keep workers.²²⁸ In formulating his conclusions for the meeting, Kidrič appeared to realise political problems lay ahead. He therefore omitted calls for political campaigns and urged rather a legalistic approach according to which wage rises and categorisation inimical to existing tariffs should be countered on the basis of their illegality. Thus he suggested that it was necessary: ‘to link up with the Party and the union organisation, explain that this is not about decreasing wages, that is standards, but about the improvement of the state of affairs on the basis of existing legislation.’²²⁹

The meeting in March brought out little novelty until Kardelj spoke. The presence of Deputy Prime Minister at the meeting highlighted just how important the issue was becoming for the

²²⁶ AJ Fond Privrednog saveta FNRJ, 40-8-3, ‘Zapisnik sa sednice Privrednog saveta FNRJ, održane 17, 19. i 23. februara 1949.’, 1

²²⁷ See also AJ 40-8-3 ‘Zapisnik sa sastanka u Privrednom savetu FNRJ od 19. februara 1949. godine’ dealing with fluctuation of labour in mining and forestry, and inadequate incentives to suck in labour.

²²⁸ *ibid.*, 2

²²⁹ *ibid.*, 4

federal government. Kardelj made an initial short speech complaining that inflation was becoming alarming, a formulation which upset the Minister of Labour from Slovenia. Kardelj accepted in the concluding speech that the situation was not out of control but continued:

‘This situation not just from the standpoint of the fulfilment of the plan but from the standpoint of raising the standard of living is in indeed alarming. We are not talking about decreasing wages but of grasping the whole wage fund system in our hands, so that we alone can decide where it needs to be decreased and where increased. In that regard, it should be taken into consideration that we shall probably decrease the overall sum because it is above what it ought to be according to the regulations in the directive. On the other hand, there are great differences between one factory and another, one republic and another. I am not an adherent of the idea that we should have strictly unitary, equal wages in every factory, branch, etc, since we have factories and branches we need to devote our attention to. We need to have that in mind in our politics of remuneration.’²³⁰

This more subtle analysis did also appear to take the political moment into consideration: the need for clarity of explanation could not be underestimated. For Kardelj continued uneasily:

‘The director who says that in his factory norms are over-fulfilled by 50-60% of workers is committing a crime against the economy and against state if he does not fix those norms. We have to set up such a system that makes the directors feel responsible and feel they can be called to account. They at the moment do not feel sufficiently called to account, and we now have countless examples where the trade unions are fighting for wage reductions, and the directors for wage increases. One should ask oneself how workers will view such trade unions. I think it should not be the trade unions that do the fighting for lower wages, that should be for the directors, while the trade unions can agree with the director and help him by explanation and agitation among the workers.’²³¹

This fear for the political apparatus led Kardelj to suggest that directors would need to use the law rather than material incentives to keep workers, while other issues that needed attention included restoration of standing for internal hierarchies and upward mobility within firms, and better conditions of work and life.²³²

²³⁰ AJ 40-8-3, ‘Zapisnik sa konferencije po pitanju plana platnog fonda i normi, održane 16.III.1949 godine’, 12

²³¹ *ibid.*,12

²³² *ibid.*

The problem of the inefficacy of the trade unions represented a major political challenge to the authority of the order and not simply an economic one. The scope of the problem was as yet unclear. Still, it could be discerned, given that Arsov, the Labour Minister, had posited in the same discussion that the mobilisation of the labour force was being fulfilled at a rate of '45-50%' of the Plan while the production plan was reaching 'over 90%'.²³³ If some 70 percent of workers were over-fulfilling work norms in mines,²³⁴ and as Kidrič had explained at the start of the March conference, directors competed for labour and paid higher wages and bonuses than the Plan allowed for by anywhere between 15 and 30 percent of the national fund,²³⁵ then workers probably had obtained some power on the shop-floor. It appeared that the leadership had a contradictory attitude to the enterprise directors, both frustrated with and dependent on them. Kardelj's suggestion that managerial positions needed to be respected and that workers needed to have incentives to move up, while unions needed to be removed by a degree from production tasks, indicated that the government was worried that it had comparatively little control over the workplace in comparison with previous years and few remaining mechanisms to restore its authority. Indeed, several weeks later Kidrič hosted Djuro Salaj, head of the now renamed Confederation of Trade Unions of Yugoslavia, who blamed directors for union inability to tackle problems illustrated by the story he recounted to Kidrič: '[i]n Zagreb, workers refuse to make furniture for our embassies in Paris and London, even though they are offered in addition to their normal wage an extra of 12.50 dinars per hour [roughly the average tariff wage]. There are some workers who earn...40-45.000 dinars a month.'²³⁶ The task was no easier for union official Lazar Plavšić in late April 1949, when he moved the key-note speech at the Ninth Plenum of the now renamed Confederation of Trade

²³³ *ibid.*, 6

²³⁴ AJ 40-8-3, 'Zapisnik sa sastanka o pitanju uputstava o popisu osnovnih sredstava radnih mesta i o planu radne snage, održanog 18.III.49', 1

²³⁵ AJ 40-8-3, 'Zapisnik sa konferencije po pitanju plana platnog fonda i normi, održane 16.III.1949 godine', 2

²³⁶ AJ 40-8-3, 'Zapisnik sa sastanka Privrednog saveta Vlade FNRJ sa drugom Đurom Salajem, održanog 29.III 1949. godine' 1

Unions of Yugoslavia (SSJ) to explain the need for balancing 'purchase' and 'commodity' funds. For months previously, the union paper had reverberated with Kidrič's radicalism from the Second Plenum of the CC KPJ. Such headlines as 'Consciousness and Commitment Defeated the Storm: The Heroic Work of The Sailors and Workers of the Shipworks in Split',²³⁷ 'Incorrect Bearing in Relation to Shockworkers, Rationalisers and Innovators in some Enterprises in Macedonia',²³⁸ and 'The New Products of our Industry: Furnace for Casting Bronze Built Out of Domestic Materials',²³⁹ Plavšić tried by berating examples of enterprise bullying or impropriety towards good workers before bring up some instances of incorrect setting of norms in firms.²⁴⁰

The situation duly worsened throughout April. The Yugoslav Army complained about lack of materials and control over enterprises,²⁴¹ the Economic Council felt moved to explicate that recruitment to the labour force had to be voluntary²⁴² and then also passed measures tying guaranteed supply to individual discipline in order to reward rooted workers and penalise fluctuation.²⁴³ Reports from the building of the Belgrade-Zagreb 'Brotherhood and Unity' highway noted that only a third of the necessary draw wells were functioning, that the draw well borers had left the worksites after failing to secure wage increases, and that drafted army labourers had achieved a productivity four times as great as the work collective 'Autopot'.²⁴⁴ By the last week of the month, realising that production was ever more dependent on imports

²³⁷ *Rad*, 12.III.1949, 1

²³⁸ *Rad*, 24.III.1949, 1

²³⁹ *Rad*, 14.IV.1949, 1

²⁴⁰ 'Zadaci Sindikata u pravilnoj primeni uredaba o platama i normama: Referat druga Lazara Plavšića na Devetom plenumu Centralnog odbora SSJ', in *Rad*, 23.IV.1949, 1-4

²⁴¹ AJ 40-8-3, 'Zapisnik sa sednice sa JA po pitanju raspodele građevinskog materijala, održane 2.IV.1949 god.', 1

²⁴² AJ 40-8-3, 'Zapisnik sa sastanka po pitanjima investicija, održanog 2.IV 1949,' 1

²⁴³ AJ 40-8-3, 'Zapisnik sa sastanka po pitanju radne snage održanog 7 aprila 1949 godine'

²⁴⁴ AJ 40-8-3, 'Zapisnik sa konferencije o tekućim pitanjima, održane 12.IV 1949 g.'

for which there were limited funds, the Economic Council had to conclude that 'the plan [in light industry] is being executed worse with every passing day'.²⁴⁵

This began to lead to a new approach. As the Economic Council saw at the beginning of May the need to draft more workers into heavy industry and denounced as criminal the continued irrationality of the distribution of skilled labour, with not enough in heavy industry,²⁴⁶ the tone became ever more desperate. It was in this context that the tide turned towards radicalism and it was in this context that the first implicit mootings of councils surfaced in the early summer. Ever more, the leadership expressed frustration with the bureaucratic tendencies of the directors and increasingly looked to mobilisation from below as the way forward. In the second week of May, discussion between economic policy makers and trade union leaders brought out frustration in regard to lack of materials as a result of a lack of imports and continued:

'The second type of difficulty we have faced in the execution of the plan is in that many of our directors have approached the question of workplace organisation in a bureaucratic way, there was no consultation with the workers, even though it would frequently take just slightly improved organisation of the work process to help get rid of other difficulties, as well as of the lack of the labour force.

That is why it is necessary for trade union organisations and workers to propose new ways of organising the labour process, so that the labour process is conducted with maximum efficiency. On these questions it is necessary to develop the initiative and advocacy of trade union organisations and work collectives.

Further, it is necessary to struggle against fluctuation of the labour force, and for tightening work discipline, and that by means of democratic struggle on the initiative of workers.'²⁴⁷

²⁴⁵ AJ 40-8-3, 'Zapisnik sa konferencije po tekućim problemima Ministarstva lake industrije, održana 23.IV.1949' pg/ 3

²⁴⁶ AJ 40-8-3, 'Zapisnik sa konferencije po pitanju radne snage za tešku industriju, održane 3.V.1949 godine'

²⁴⁷ 'Izvod iz zapisnika po pitanju pomoći CO SSJ na mobilizaciji radnih kolektiva u borbi za ispunjenje plana I polugodišta, održanog 11.V.1949 godine' 1-2

Moreover, the Economic Council reports persisted with the theme of initiative from below. At a conference of production in the light industry sector in mid-May, directors again came under attack:

‘It is necessary to say a few words in regard to the relation of notable people in the directions and enterprises towards the work collectives. Consultations with work collectives are very rare and frequently the way appeals are delivered to work collectives to execute the plan is improper. It is becoming apparent in practice that the director is becoming a right gentleman [*gospodin čovek*]. Doubtless, it is necessary to raise the authority of the director and to prevent the development of anarcho-syndicalism in the firms, but we should also avoid falling into the other extreme, as is the case today, that mobilisation should happen only via the director and not to the correct extent by way of the entire work collective. However, often not even the director mobilises enough and that director, who relates to the work collective in a bureaucratic manner and who alienates himself from the work collective, often does not understand the conditions and the possibilities of completing the plan.’²⁴⁸

Almost simultaneously, at a consultation of the union leaders called to discuss the experiences of the preceding six-month period’s experiences in socialist competition, similar complaints about bad treatment of shock workers surfaced on the part of the representatives of the metal workers and of the miners.²⁴⁹ Leading on from this, Kardelj offered at the end of May the first full-blown onslaught on bureaucracy in an address inaugurating a new middle tier of local government in the National Assembly, which was later published as a pamphlet entitled ‘The Power of the Popular Masses’. In it, he argued that bureaucratic-administrative methods of management hampered the possibility of the broad development of mass initiative. Referring to long-dormant workers’ consultation committees that had existed in law and fact before the start of the five-year plans, he argued: ‘This undeveloped spontaneous form should be further developed and transformed into a permanent form of the direct cooperation of workers in the management of our enterprises.’²⁵⁰

²⁴⁸ ‘Zapisnik sa konferencije po pitanju izvršavanja plana Ministarstva lake industrije, održan 18.V.1949 g.’, 2

²⁴⁹ AJ 117-20, ‘Zapisnik sa savetovanja odeljenja za plate i organizaciju rada sa centralnim upravama sindikata: rudara, metalaca, željezničara, građevinara, prehrambene industrije i zanatstva, Glavnog odbora Srbije i Mesnog sindikalnog veća Beograda 16-V-1949 godine u 15. časova’, 7, ‘Diskusija’, 3

²⁵⁰ Kardelj, *Komunist* 3, no. 4, 56

On the economic front, though, the situation remained tense, as the planning mechanisms of the centre could not even collect the necessary information to implement its own measures. Thus, on the same day as Kardelj's speech, the Economic Council concluded that its attempts to account for the state of the wage fund could not succeed in June since only a third of the necessary documentation had reached it in time. On preliminary results, the growth in the wage fund had again significantly outstripped the recruitment of labour in all the republics for which information could be obtained. Consequently, the republics all had to form emergency headquarters to oversee labour recruitment in June.²⁵¹ At the start of that month, a meeting on the completion of the Plan in heavy industry highlighted the need to tolerate a twelve hour day to reach targets. Some debate followed over whether additional labour recruitment was necessary for the plan to be completed, with suggestions that two labour brigades be formed to help in the electrification sector of the plan. One member of the Economic Council argued that the existing workforce could reach the Plan targets with increased productivity. Kidrič appeared to have resolved to formalise the search for alternatives from below by concluding the meeting with a novelty:

‘The comrade President [Kidrič] pointed to the situation in the directorates at which it is a frequent scenario that at trade union conferences, when the directors get up and claim that because of the lack of materials and other difficulties, the Plan cannot be fulfilled, workers regularly get up and disprove the claims of the directors. That indicates that the directorate cadres have become bureaucratised. Taken generally, the directors of the directorates have largely become a brake in industry. That is why we urgently need to form work councils [*radne savete*] where they have not been formed and to hold regular meetings of the collegiums and the work councils.’²⁵²

This first mention of ‘work councils’ should be understood as the first, embryonic form of what later became permanent, legally-empowered units of political and economic power in Yugoslavia: worker councils. They were not, however, the finished product. At this stage, the name ‘work councils’ suggested the formalisation and generalisation of consultation forums

²⁵¹ AJ 40-8-3, ‘Zapisnik sa kolegijuma SPK, održanog 29.V.1949 g.’

²⁵² ‘Zapisnik sa sednice po pitanju izvršavanja plana za I polugodište min. teške industrije, održane 7.VI.1949 g.’, 1

as Kardelj had announced at the end of May. Their conceptualisation at this earliest stage, in fact, reflected the dilemmas over the reaching of Plan targets of the preceding six months. Still one in a panoply of strategies to mobilise labour, existing alongside brigade shock-work, socialist competition and at times the militarisation of labour, 'work councils' promised a non-coercive, participatory and ideologically pregnant method of raising productivity generally, creating cadres on the job, stabilising the workforce by formally giving workers a stake in the productive process, and controlling directors. While the promise existed to cut bureaucratic costs in the state machine, to reinvigorate party legitimacy in the eyes of the working class and establish a clear differentiation from the USSR, none of these appeared in the first instance as the primary motivation. More than that, 'work councils' were not the 'workers' councils' only came to be adopted in experimental fashion in December 1949 and remained a subsidiary industrial strategy in substance and form until June 1950. Although the first steps towards the formalisation of the councils (*saveti*) as opposed to consultations (*savetovanja*) occurred in late summer, these legislative initiatives remained in the shadow of the shock-work push to cope with the dislocation of industry in view of the blockade and the military threat from the Soviet Union.

The Antinomies of Yugoslav Stakhanovism

The all-out push in the autumn followed the creeping decision in mid-year to prioritise agriculture, the military and exports to fund imports of technology and equipment crucial for the priority projects of the Five-Year Plan.²⁵³ Though the exact nature of the investment and the exports shifted as the year passed according to season and the stage of the Plan, as did the subsequent priority targets, the overall shift in the tempo of mobilisation in the second part of

²⁵³ Marija Obradović, *Narodna demokratija u Jugoslaviji 1945-1952*, Beograd: Institut za noviju istoriju Srbije, 1995, 240-245

the year entailed an increasing labour imbalance within the state sector itself, as was revealed in the Economic Council on 8th June:

'/The question of labour was not posed at Jasenice [ironworks] alone but everywhere. For the month of June 50,000 workers are necessary /current average is 49,000/, and by the end of the year we will need 63,000./

According to a report by the Ministry of Labour so far somewhat less than 2,000 skilled workers have volunteered [for employment in enterprise-level production in heavy industry]. The situation is especially bad in...Slovenia and Serbia...In...Croatia and BiH [Bosnia and Herzegovina] the situation is somewhat better, so that we may be able in June to fulfil the plan for the recruitment of skilled labour.

Comrade Leskošek [Ministry of Heavy Industry] announces that what they need is not just skilled but also unskilled labour, as they currently have to use labour brigades, and worker productivity is therefore low.²⁵⁴

The bifurcation between skilled and unskilled labour, present in this report, came later that year to be interpreted as a deeper imbalance between the need for short-term mobilisation and long-term stabilisation of the labour force in the conditions of peripheral underdevelopment.²⁵⁵ At this, point, however, the Economic Council decided in mid-June to concentrate labour power on 'priority objects', moving them from local- and republic-level objects to priorities set at the federal level, and at the end of June re-iterated the message as a matter of urgency.²⁵⁶

When the miner Alija Sirotanović visited Kreka to engage in an inter-mine competition a few days after the Economic Council had first complained of labour imbalances, the imminent intensification across the board of shock-work soon became clear.²⁵⁷ This visit by the labour brigade led by Sirotanović from the Breza mines produced nothing out of the ordinary: its endeavours to induce higher productivity through socialist competition echoed the 'udarnik

²⁵⁴ 'Zapisnik sa sednice po pitanju izvršavanja plana za I polugodište min. teške industrije, održane 7.VI.1949 g.', 2

²⁵⁵ Sednica PSSV, 29 Oktobar 1949

²⁵⁶ AJ 40 – 8 – 3, Zapisnik sastanka kolegijuma Privrednog saveta Vlade FNRJ, održanog 17. juna 1949, zapisnik broj. 455/I; AJ 40 – 8 – 3, Zapisnik sa konferencije kolegijuma Privrednog saveta Vlade FNRJ, održane 30. juna 1949. godine, zapisnik br. 469/I

²⁵⁷ *Rad*, 11.VI.1949, 1

mood' of the times, as the trade union newspaper carrying the report itself suggested.²⁵⁸ Nonetheless, the achievements of individual miners began to splash the front pages of newspapers for weeks and when Sirotanović beat Stakhanov's record for coal removed during a single shift by 40 tonnes on 24 July, the 'Alija Sirotanović Movement for Higher Labour Productivity' spread like lightning across Yugoslav industry.²⁵⁹

It was in the heat of that battle and some two months after Kidrič had first spoken of 'work councils', on 1st August, that, without a preceding trace, the Committee for Legislation of the Federal People's Republic of Yugoslavia sent a first draft of the 'Law of the Workers' Councils in State Enterprises' to the Central Council of the SSJ for circulation among the trade union leaderships.²⁶⁰ Unfortunately, the fund of the Committee for Legislation was not available to researchers so that deliberations around the law remain unknown. Nevertheless, its view of the role of workers' councils was considerably less radical than the role of the Stakhanovite campaign across Yugoslav industry at that time. The draft law itself was a somewhat dry and conservative document, somewhat in contrast with the later directive circulated in December 1949. It had four sections: ultimate goal and its institutionalisation of the workers' council (I), its functions (II), its relation to the director (III), its election (IV) and its inner functioning (V).

The document foresaw the councils as essentially advisory bodies albeit with policy-making power over social welfare (where directors had failed according to the Economic Council) and veto power over the business plan of the enterprise as well as over aspects of the labour

²⁵⁸ *Ibid.*

²⁵⁹ See also Woodward, *Socialist Unemployment*, 151

²⁶⁰ 'Nacrt zakona o radničkim savetima državnih privrednih preduzeća', private copy kindly provided by Olivera Milosavljević

process (where workers had recently shown greater initiative than directors).²⁶¹ Yet it went further. Among the many roles assigned to the councils, the most transformative saw the council as an organ that could advise on and carry out oversight in regard to ‘the full use of capacity and the correct distribution of labour power and the distribution of workers between groups of enterprises’.²⁶² Though vague, the latter part of the competencies suggested in a circumspect manner that ‘[n]ew firms might be developed by existing firms’ as ‘[i]n principle, in a market economy, new firms should emerge spontaneously as profitable opportunities arise’.²⁶³ At least in theory, therefore, the draft law recognised some of the conundrums pertaining to the market in factors of production by raising implicitly a possible solution in terms of socialist conceptions of ownership.²⁶⁴

Still, the council was there more to facilitate than manage and could not participate in the everyday running of the enterprise. That remained the purview of the director.²⁶⁵ The director could not challenge the workers’ council in its own competencies unless by appeal to a higher body which had primacy over both.²⁶⁶ Projecting resistance to the whole process on the part of the directors, the draft law required them ‘to ensure the participation of the workers’ council of the firm in the management of the firm within the boundaries set by this law’.²⁶⁷ While the director had to account for the execution of his or her duties to the regular sittings of the workers’ council under Article 7, he or she could not put themselves forward for election to the workers’ council under Article 8. Regular council meetings would take place only at quarterly intervals.²⁶⁸ Rather nebulously, the rights of the trade union branch at the

²⁶¹ ‘Nacrt zakona’, Articles 3.1, 3.2, 3.3, 3.6, 3.11, 3.13, 3.14

²⁶² *ibid.*, Article 3.9

²⁶³ Milenkovitch, *Plan and Market*, 268

²⁶⁴ For more, see *ibid.*, Chapter 10

²⁶⁵ *ibid.*, Article 4

²⁶⁶ *ibid.*, Articles 5 and 6

²⁶⁷ *ibid.*, Article 7

²⁶⁸ *ibid.*, Article 11

workplace did not change as a result of the law.²⁶⁹ Yet the workers' council was set to combat bureaucracy and to take over from the unions the organisation of socialist competition.²⁷⁰

In the period 8-18 August, several republic and industrial branches responded to the call for comments and recommendations with varied suggestions for alteration. These came in three major categories: more or less camouflaged concern over the fate of the trade union; disquiet over the continued powers of the directors and higher management; and largely technical issues frequently tied to the task of the day: improving labour productivity. Almost every trade union response made remarks that fell broadly in the first category: the Textile Workers' Union suggested that Article 9.3 ought to be amended such that the council be elected at the yearly AGM of the union branch in the workplace;²⁷¹ the Timber Workers' Union suggested a moderation of the language expressing the role of the councils in regard to socialist competition under Article 3.5;²⁷² the Croatian union leadership suggested Article 7.4 ought to be amended to allow not just the director but the branch union president to be present at council meetings;²⁷³ and the union leadership of Serbia also suggested it disliked the liberal wording of Article 3.5.²⁷⁴ The second category evinced responses only from the union leadership from Serbia and the Railway Workers' Union. Both questioned the hierarchical links in the draft law.²⁷⁵ The former union leadership complained about the right of the Administrative-Organisational Management (AOR) of the enterprise under paragraph

²⁶⁹ *ibid.*, Article 17

²⁷⁰ *ibid.*, Article 3.5

²⁷¹ 'Centralna uprava Sindikata radnika i nameštenika industrije tekstila i odjeće Jugoslavije: Centralnom odboru Saveza Sindikata Jugoslavije, 8. Kolovoza 1949.' private copy kindly provided by Olivera Milosavljević

²⁷² 'Centralna uprava radnika i službenika industrije drveta Jugoslavije: Mišljenje po Nacrtu Zakona o radničkim savetima – Centralnom odboru Saveza sindikata Jugoslavije', date illegible. private copy kindly provided by Olivera Milosavljević

²⁷³ 'Savez sindikata Jugoslavije, Glavni odbor za Hrvatsku – Savez sindikata Jugoslavije, Glavni odbor. 11.VIII.1949', private copy kindly provided by Olivera Milosavljević

²⁷⁴ 'Savez sindikata Jugoslavije, Glavni odbor za Srbiju, Centralnom odboru SSJ, 13.VIII.1949', private copy kindly provided by Olivera Milosavljević

²⁷⁵ *ibid.*, and 'Sindikat Železničkih radnika i službenika Jugoslavije Centralnom odboru SSJ, 13.VIII.1949.' private copy kindly provided by Olivera Milosavljević

three of Article 9 to call a council meeting.²⁷⁶ More radically, the Railway Workers' leadership complained that it was unclear under what conditions that right could be exercised but it went further. It suggested that the council was too important to meet quarterly and pushed for a monthly meeting under Article 11. It then made a broader criticism:

'From this draft it is not clear whose organ the workers' council is: that of the skilled management or of the trade union organisation, but with regard to the relation of the administrative-organisational manager and the director of the firm to the workers' council, it looks more like an organ of the skilled management, and that can be seen from the following:

The director of the firm does not have to agree with the measures and advice of the workers' council and decisive is the ruling in any dispute of the administrative-organisational manager. The administrative-organisational manager has the right to suggest the election of a new workers' council or of certain of its members, the director has the right to call an extraordinary meeting [of the council] etc. Similarly, nowhere in the draft is the relation mentioned between the workers' council and the management team [stručni savet] or their necessary co-ordination. Because it is possible for the directors of enterprises in regard to the solution of the most important questions to turn to the management team, all the while attempting to isolate the workers' council, and in that way [to] make impossible the participation of workers in the managing of our economy.'²⁷⁷

Echoes of this withering criticism appeared in some of the other documents, too, alongside the Croatian union leadership's plea for the 'correct distribution of women' and care for new workers,²⁷⁸ or the Communal Workers' Union suggestion for the provision of administrative space and employees for the workers' councils in order to prevent workers being taken away from the production line overly long.²⁷⁹ The Croatian union leadership itself and the Textile Workers' Union both suggested that the council needed to report back to the entire workers' collective to make its work 'common property' as the counsel of the former put it.²⁸⁰

²⁷⁶ 'Savez sindikata Jugoslavije, Glavni odbor za Srbiju, Centralnom odboru SSJ, 13.VIII.1949', private copy kindly provided by Olivera Milosavljević

²⁷⁷ 'Sindikata Železničkih radnika i službenika Jugoslavije Centralnom odboru SSJ, 13.VIII.1949.' private copy kindly provided by Olivera Milosavljević

²⁷⁸ 'Savez sindikata Jugoslavije, Glavni odbor za Hrvatsku – Savez sindikata Jugoslavije, Glavni odbor. 11.VIII.1949', private copy kindly provided by Olivera Milosavljević

²⁷⁹ 'Sindikata radnika i nameštenika komunalnih preduzeća i usluga Centralnom odboru Saveza sindikata Jugoslavije: Odeljenju za plate i takmičenje, 16.VIII.1949', private copy kindly provided by Olivera Milosavljević

²⁸⁰ 'Centralna uprava Sindikata radnika i nameštenika industrije tekstila i odjeće Jugoslavije: Centralnom odboru Saveza Sindikata Jugoslavije, 8. Kolovoza 1949.' private copy kindly provided by Olivera Milosavljević, Savez

Union resistance to the draft probably had as much to do with fear of loss of influence as with the perception that this influence was essentially empowering the director via mechanisms subordinate to the director. Since the prevailing mood was against directors at this point in time, it is probable that union warnings found sympathetic hearing in the political leadership. Perhaps more importantly, the unions were the chief mobilising institution in a massive and crucial but short-term campaign central to fulfilling the plan and the creation of workers' councils was not an imminent task. Upsetting the unions at this stage could not have been in the interests of the party-state leadership. Whatever the designs for workers' councils, compromise with the unions appeared to be the rational course to take. While this remarkable discussion retreated from view in the following months, most union proposals found their way into the famous December directive. The tempestuous production drive, however, continued to dominate the press and the policy-making forums of the mass organisations.

This was at least in part because of external pressures. The gaze of the KPJ leadership of necessity turned to international issues. Ever since late April, there had been a slow rapprochement between the West and Yugoslavia in the diplomatic field. It had included tortuous 'negotiations over economic issues and normalisation of political relations'.²⁸¹ Soviet reaction to a westward opening on the part of the KPJ, meanwhile, included intensified internal sabotage and external pressure. A Politburo meeting in late May discussed the weaknesses of the party organisation in Croatia in the face, especially, of Cominformist sabotage, a situation Tito defined as 'characteristic of the whole country'.²⁸² Border incidents also increased exponentially as the summer progressed and an hostile exchange of notes took

sindikata Jugoslavije, Glavni odbor za Hrvatsku – Savez sindikata Jugoslavije, Glavni odbor. 11.VIII.1949', private copy kindly provided by Olivera Milosavljević

²⁸¹ Darko Bekić, *Jugoslavija u Hladnom Ratu: Odnosi sa Velikim Silama 1949-1955*, Zagreb: Globus, 1988, 78.

²⁸² AJ 507-III/41: 32

place between Yugoslavia and the USSR following Yugoslav cessation of aid to the Greek partisans and the resulting *de facto* isolation of Albania, as well as on account of Yugoslav action against White Guard immigrants in Slovenia.²⁸³ By August, the situation had apparently become acute for the Yugoslavs. Twice in that month, Sava Kosanović, the Yugoslav Ambassador to the U.S. 'pled with Secretary of State Acheson...to speed action on Yugoslavia's loan requests to the IMF, IBRD, and U.S. Export-Import Bank (including Tito's poignant request for toilet articles along with mining and agricultural machinery).'²⁸⁴ When the Ex-Im Bank decided to extend a credit of \$20 million to Yugoslavia on 25 August,²⁸⁵ and the American and British foreign ministers warned Moscow in public over its intentions in the Balkans on 24, 28 and 31 August,²⁸⁶ the Yugoslavs turned to securing their sovereign position in international relations.

The Politburo duly convened at the end of August to discuss the international situation and its impact on domestic policy.²⁸⁷ While there was evident lack of consensus about whether to take the Soviet-Yugoslav conflict to the UN, a state of affairs that lasted until even after the Yugoslav delegation left for New York in the second half of November,²⁸⁸ there was equally visible general unease with possible over-reliance on the West. Tito argued that 'we must not agree to the Anglo-American offer to take arms from them. We must not allow the materialists [Tito obviously meant "imperialists"] to misuse our dispute with the USSR, we are going on our own revolutionary line.'²⁸⁹ Outlining defence measures, Tito suggested that the Government needed to set up a fund to requisition vital non-military supplies from abroad

²⁸³ Bekić, *Jugoslavija u Hladnom Ratu*, 76-77

²⁸⁴ Woodward, *Socialist Unemployment.*, 144

²⁸⁵ *ibid.*, 145, nn. 134

²⁸⁶ Bekić, *Jugoslavija u Hladnom Ratu*, 77

²⁸⁷ AJ 507-III/42

²⁸⁸ Bekić, *Jugoslavija u Hladnom Ratu*, Chapter 5

²⁸⁹ AJ 507-III/42: 35

and to withdraw strategic resources from Vojvodina on the border with Hungary.²⁹⁰ That suggested he was seriously contemplating the threat of war. Such an eventuality unavoidably had an impact on overall economic direction as well:

‘In the mobilisation of the labour force there are various irregularities. If it is not possible to solve the issue otherwise, the question needs to be posed of extending the Plan in certain branches [of production] by six months to one year. That is unavoidable also in view of the pressure (military needs in particular) and the economic blockade being enforced by the East. In less central projects, labour is to be redirected towards more important projects lacking labour power.’²⁹¹

This decision required a reprioritisation within the reprioritisation of June. Indeed, military considerations took precedence as the Economic Council considered the implications of the Politburo decision on 8 September:

‘The plan for the transfer of skilled labour to heavy industry is fulfilled 90%, but parallel to the plan for the transfer of labour to the JA [Yugoslav Army] should also be carried out. It is clear heavy industry will continue being developed but military industry is not to be neglected...

In order to solve the problem of labour power for the JA, to whom labour power must unconditionally be given, it is necessary to take labour power from republican and local enterprises but not in such a way as to completely clear out the republics...

By the 15.IX in [Bosnia] and Serbia no new mobilisation of labour power should be applied, rather it is necessary to execute the plan for the mobilisation of labour power for mining and the JA having in the mind that the current state of labour power should be maintained in heavy industry. This decision should be kept to and the onslaughts of certain departments should not be given in to.’²⁹²

Such strong language indicated continuing strains. Actually, the following day, it became clear in the discussions of the Economic Council that there was a lack of labour power in the mines of Serbia and that this threatened production in several other branches of industry. Absenteeism was now running at twenty to twenty-five percent of the labour force and this figure included party members. With up to 8,000 permanent new employees needed to carry

²⁹⁰ *ibid.*

²⁹¹ *ibid.*

²⁹² AJ 40-4-9, ‘Zapisnik sa sastanka po pitanju prebacivanja radne snage za JA, ordžanog 8.IX.1949 godine’, Zapisnik broj 510/V, 1, 3

out the plan, immediate withdrawal from the timber industry of Party members and Popular Front brigades for redeployment to the mines appeared as the only way to prevent meltdown. The minutes noted that daily reports would be sent to Kidrič about progress in regard to the affair.²⁹³

The crisis over coal would only get worse over the autumn and it presently caused the permanent shift on the part of the CPY away from emergency extensive mobilisation on a national scale, the final limitations of which were fast becoming clear, towards a return to intensifying production. Thus on 3 September, the Minister for Mining complained in the union paper: 'The movement for the higher productivity of labour has so far gripped only the big mines, even though all the conditions exist for the movement to develop in all mines.'²⁹⁴ Elements in the Yugoslav leadership believed higher productivity could be achieved by sheer will: the first step entailed spreading shock-work from a small minority to the vast majority of workers. The SSJ convened its Presidency for the first week of September to declare the offensive:

'With regard to the huge political and economic importance of the movement for higher productivity, and the possibility and necessity of its spreading, the Presidency of the Central Council of the SSJ notes that some management teams from the trade union organisations have not properly accepted that movement and are not fighting with enough ardour against its inadequacies.'²⁹⁵

For a month thereafter, almost every front page of *Borba* carried news of the movement for greater productivity. Despite this, it appeared that the Economic Council was beginning to reach different conclusions. Its clear desire to move towards more intensive methods criticised the Yugoslav Stakhanovs for alienating ordinary workers. Although few indications

²⁹³ AJ 40-4-9, 'Zapisnik sa sastanka po pitanju izvršenja plana proizvodnja uglja u NR Srbiji, održane 9.IX.1949', Zapisnik broj 518/VIII, 1

²⁹⁴ Rad, 3.IX.1949, 'Izjava druga Svetozara Vukmanovića' 3

²⁹⁵ AJ 117-143, 'Zapisnik Br. 16 sa sednice Predsedništva Centralnog odbora SSJ održane 7. septembra 1949 godine'

of this had appeared in the press, the Soviet experience at least in part appeared to be repeating itself, so the Economic Council began to signal the push towards intensification:

‘It is necessary to work out the mechanics of the production process in mining. Our orientation should be towards the current number of workers or its most minute increase and only for the new mines, but even here it is necessary to solve the problem by the transferral of existing labour supply from the old mines to the new. An increase in mechanisation will mean nothing if work effort is not increased and labour supply decreased. With us, in production, and particularly in mining, there is an ossification of a shapeless anti-individualism towards the worker tied to bureaucratism and the total individualisation of alleged bosses. It is necessary to send Communists into the pits and to arrange organisation in the following manner: at the head of brigades, place hard Party-men [*partijce*] who can understand the modern machine and the modern organisation of labour and who can take with them the rest of the workers. The solution is not to have a few isolated Sirotanović’s who run far ahead of the mass of workers, but we should have Sirotanović’s, who, at the head of all the brigades, will know how to pull the rest of the labourers with them.’²⁹⁶

The demotion of the Yugoslav Stakhanovites was duly symbolised by the decision to create a new category of *udarnik*: the collective brigade itself.²⁹⁷ It was, after all, absurd that 10 percent of workers accounted for 60 percent of work done, declared the trade union newspaper on its front page, days after the Economic Council meeting had virtually done the same.²⁹⁸ Although she apparently situates the drive earlier and exaggerates its universalism, Susan Woodward all the same depicts its main trends admirably:

‘The centrepiece of this democratizing process was the reorganisation of production on the shop floor and in the mines according to the system of autonomous production brigades [...] led by a skilled worker but using group discipline and group evaluation of work performance...After conferences to discuss labor organization collectively, the skilled worker...would assign tasks, assist less skilled workers where necessary, and move among brigades to make sure that machines were operating at full capacity. Brigades could set up assembly lines to speed production so that each brigade pushed the next...The brigades would also serve as a system of on-the-job training...’²⁹⁹

Earlier in the year, it had been up to the mass organisations to channel such initiative from below, as a headline from a union newspaper aptly illustrated: ‘Brigades participate in the

²⁹⁶ AJ 40-4-9: ‘Zapisnik sa sastanka kolegijuma SPK, održanog 17.IX 1949 god.’, Zapisnik br. 528/II

²⁹⁷ *Rad*, 5.VIII.1949, ‘Nova uredba o proglašavanju udarnika’, 6

²⁹⁸ *Rad*, 21.VIII.1949, ‘Značaj pokreta za visoku produktivnost rada’, 1

²⁹⁹ Woodward, *Socialist Unemployment.*, 142-3

management of production, but they do not run it'.³⁰⁰ Following the acceleration of mobilisation and the democratising realignment of the late spring and early summer, emanating from the very apex of the Government, however, the development of the 'movement for higher productivity' had encountered fewer constraints from above. Rather, it faced economic difficulties and bureaucratic resistances at lower echelons of the regime. Now it had run into its own limitations and the turn to intensification began to be reflected unevenly in other forums.

Namely, the Popular Front as the pre-eminent mass organisation began to re-think the nature and scope of the brigade system. The Popular Front's task had been to make sure that the socialist transformation of the country integrated work in the urban and the rural contexts. Specifically in regard to labour mobilisation, it organised 'special brigades', which had two main tasks in regard to socialist construction. First, the brigades represented the repeated squeeze on the countryside for temporary activation of labour power for the tasks of 'primitive socialist accumulation'. Second, reserve labour from the countryside would in the process be enrolled for permanent employment in industry, thereby changing the social balance of the country in favour of the urban proletariat. In the context of a shift in priorities on the labour front, it was logical to reorient the work of the Popular Front. There was some disagreement on how to do so. After a sharp debate at the Secretariat of the Executive Board of the Popular Front on the 23rd September, where some ministers suggested that labour mobilisation be taken on by municipal organs of state power instead of the Front,³⁰¹ the majority passed a compromise resolution that was nevertheless critical of the work of the Popular Front on the questions of labour recruitment and labour mobilisation. According to the statement, the Front had concentrated too much on mobilising for the sake of completing

³⁰⁰ *Rad*, 9.IV.1949, 3

³⁰¹ See the interventions of Josip Cazi, AJ 142 – 20 – 546, 552

emergency labour quotas and had not developed methods of persuading mobilised peasants to stay in industry. In addition to that, the Secretariat deemed the work of special brigades to have been appreciably weakened by the continued disorganisation of the Popular Front on the local level. It advised certain organisational remedies within the Front but also recommended full utilisation levers like employment contracts once brigade members were on the shop-floor. It decided to revive the use of special brigades for local work despite the continued centrality to the plan of federal priority objectives because the local brigades were of 'incalculable political interest'.³⁰² The Politburo in fact went further some weeks later:

'The P[opular] Front in regard to labour power should take recruitment of a permanent workforce for industry as [its] primary [task]. Volunteer labour brigades should go to local [worksites] or to major projects but only if [work] contracts are signed. AFŽ [Anti-Fascist Front of Women] brigades to be completely abandoned.'³⁰³

As the Popular Front, therefore, began to moderate the whirlwind that had taken some 730,000 peasants through industry in only the first half of the year,³⁰⁴ the Economic Council also further evolved its approach to labour: 'The mines have become transitory corridors [*prolazni hodnici*] and in such conditions it is impossible to speak of a brigade system of work, the correct organisation of work, etc.'³⁰⁵ The top economic forum called for 21,000 new workers if the plan was to be achieved before the end of the year but in the same month the Minister of Labour complained to the Economic Council that 'we have already reached the limits of what the supply of unskilled labour power can achieve'.³⁰⁶ In early November, too, the Economic Council was again concentrating on productivity increases instead of

³⁰² AJ 142-20-590, 592 'Zaključci sednice Sekretarijata Izvršnog odbora Narodnog fronta Jugoslavije održana 23.IX.1949', 590-592

³⁰³ AJ 507-III/44, 12 October 1949

³⁰⁴ According to Minister of Labour, Arsov: AJ 142-20-548

³⁰⁵ AJ 40-4-9: 'Zapisnik sa sednice po pitanju obezbeđenja radne snage za proizvodnju uglja, održane 6.X.1949 godine.', Zapisnik br. 540/VIII

³⁰⁶ AJ 40-4-9: 'Zapisnik sa sastanka sa komisijom za radnu snagu održanog 29.X.1949 god.' Zapisnik br. 560/III

labour recruitment: 'in the remaining two months we need to overcome difficulties through the mobilisation of all internal reserves'.³⁰⁷

Even as the domestic agenda moved back and forth through the autumn, the leadership of the KPJ focused on external events which they saw as key to forward movement. Consequent upon its overtures to the West, Yugoslavia endured new pressures from the East: the Rajk and Kostov trials, troop build-ups and further invective from the Cominform.³⁰⁸ The Yugoslavs took their quarrel with the USSR to the U.N. and decided to put forward their candidacy to the U.N. Security Council over the following weeks, though it is still unclear when exactly, in order to secure the country against possible Soviet invasion.³⁰⁹ The success of their endeavour in late November signalled an opening for a new approach in both foreign and domestic policy. Within days of the triumphal return of the Yugoslav delegation from New York, the Politburo held a hastily convened set of meetings to sanction the activities and choices of the Yugoslav foreign representatives and to endorse the budget for 1950.³¹⁰ Almost contemporaneously, the Economic Council formally decided to set up workers' councils on an experimental basis in industry at the start of 1950.³¹¹ Finally, the year closed with extensive deliberation at the Third Plenum of the CC KPJ on 29 and 30 December to ratify the 'strategic retreat' in industry and the countryside.³¹²

³⁰⁷ AJ 40-4-9: 'Zapisnik sa konferencije po pitanju smanjenja potrošnje uglja, otkupa i preradi suncokreta, održane 4.XI.1949', Zapisnik br. 570/IV

³⁰⁸ Bekić, *ibid.*, Chapter 4

³⁰⁹ *ibid.*

³¹⁰ AJ 507, III/45, 3 December 1949; III/46, 9 December 1949

³¹¹ AJ 40-4, 'Zapisnik sa konferencije po pitanju formiranja radničkih saveta, održane 8.XII.1949 god.', Zapisnik br. 591/III

³¹² The phrase is Bokovoy's, *Peasants and Communists*, 127

Part III - Towards the 'Yugoslav Road to Socialism' – by umbilical cord with the USA

The Yugoslav Communist leadership welcomed the opportunity to retreat with relief. It had had to bend all its mechanisms to achieve maximum mobilisation during 1949 but found it had strained them to breaking point. Continuing along the same radical path as hitherto would have risked political upheaval. Yet the external threat, less imminent, continued to exist. The Yugoslavs found themselves between the Scylla of domestic exhaustion and the Charybdis of external threat. Thus their preoccupation remained how to resume forward movement even if it was from a weaker position and with slower pace. The answer in the first instance had to be the strengthening of their domestic position. The passage from extensive to intensive methods of raising productivity in particular represented a wager on sections of the workers who had led the shockwork campaigns: the workers' council appeared to be an attempt to complement and supersede some of the functions of both the enterprise management and the union, thereby resembling yet another transitional form in the panoply developed by the leadership in the search for more effective mechanisms to pursue development.

Nevertheless, while change was the logical step at this juncture, the KPJ turn to the market based on workers' councils was remarkable. The reasoning behind the new system is still difficult to discern in its totality and remains much debated. Certainly, the role of workers' councils in winning external allies was a significant consideration. As Kardelj in his speech on foreign policy put it at the Third Plenum in December 1949, in the only reference to worker management during the entire proceedings, 'I think that the strengthening of the democratic relations in our production – with the formation of workers' councils...– is exactly that which we shall be able to present to the world as the difference between us

[Yugoslavia] and them [the East]...'³¹³ Yet the choice of the market had little to do with domestic and international legitimation.

Rather more fundamental appeared to be the belief that centralised directive planning no longer provided a sustainable foundation for growth amid domestic scarcity and external precariousness. Indeed it was not until just after the promulgation of the worker management system in mid-1950 that domestic catastrophe in the form of drought forced the need for substantial direct aid from the West. Negotiations proved difficult but the perceived threat from the USSR in 1951 pushed Tito further than he had hoped to go. Yugoslavia sought military aid and secured a longer-term tripartite aid agreement with France, Britain and the USA. Cuts to wasteful expenditure, investments in the productive sector and balancing of budgets appeared rational following the battering that the apparatus had taken in 1949 but they could be presented as all the more necessary in the face of a growing external indebtedness. The precipitate pace of change following the summer of 1950, for that matter, suggested an element of political calculation on the part of reformers against potential conservatives in the apparatus. All the same, the pressures of the world market, if not its full operation, did increasingly affect domestic politics and development strategy as a consequence. They did so in several contradictory ways. First, market mechanisms exacerbated tensions in the federation by intensifying inter-republic struggles over scarce resources and forcing the federal government on the offensive. Second, the resulting federal policy to harness sub-republican identities in order to pressure the republics from below drew workers' councils directly into the struggle for a new constitutional order. Third, the federal leadership deployed the widening trade deficit as a tool to discipline all of society but in particular to link increases in wages with increases in labour productivity. Central to the

³¹³ Petranović, *Plenumi*, 480

project was an attempt to create a wage system that would validate entrepreneurial risk and increase labour productivity without compromising the goal of harmonious development.

Factories to the Workers!

The turn towards the market was contentious from the start within the KPJ. Many of its members had received training in the Marxist orthodoxy that equated the market with capitalism. Challenging the premise would unavoidably encounter resistance. That much was obvious at the Third Plenum even though the Plenum did not discuss or sanction reform measures in the economy. Indeed, it focused on the agricultural front and limited itself to halting the collectivisation drive, insisting simultaneously on the internal consolidation of existing collectives and cooperatives.³¹⁴ The leadership had decided on a strategic retreat from forming co-operatives in the face of 'formidable opposition to the collectivization campaign from within the party, from the republican authorities and local cadres, and from peasants' in preceding months.³¹⁵ On the industrial front, the published version of Kidrič's speech and the resolution itself aimed to pacify the population and did not warn of excessive wage or employment. Instead, they admitted to mistakes in regard to extensive mobilisation for two basic reasons. First, the workforce was not rationally distributed, which caused problems for industries badly in need of fresh labour. Second, the change in the social structure was proving a drain on agricultural resources. The solution, according to the leadership, lay in the battle for internal reserves and more rational mobilisation of peasant labour. While the subtext was that cuts were imminent, the line for public consumption, and indeed the expectation, was that industrialisation would continue to suck in labour and in fact

³¹⁴ Petranović, *Sednice*, 492

³¹⁵ Bokovoy, *Peasants and Communists*. 126

soon ease the agricultural overpopulation that still blighted some regions.³¹⁶ The retreat was seen therefore not as a downturn but a slowdown.

The discussions behind the scenes revealed that two contrasting emphases existed about the way forward. One was gradualist and economic in the sense of focus on mastering objective laws. The other was more radical, and emphasised the subjective factor and campaign methods of transformation in regard to collectivisation and labour. Tito clashed with Kidrič, Tempo, and Veselinov, and Kardelj with Nešković, for mistakes attributed to the latter tendency. Often, these illustrated past mistakes but at times they involved overall direction. Thus Tito admonished Kidrič for excessive concentration on industrialisation without regard for agriculture or defence. This was well illustrated by two exchanges during Kidrič's speech. In discussing agriculture, Kidrič cited positively Tito's intervention in the care that the government had shown towards the population:

‘We have, keeping in mind our great need for agricultural products [since the war], about which our Party had taken great care at the initiative of comrade Tito, decreased greatly the export of agricultural goods. This year we exported just under 40 percent of what the old Yugoslavia used to export. (*Comrade Tito: “So you exported quite a lot!”*) But we hardly made ends meet. (*Comrade Tito: “So, you did circumvent those measures”*).’³¹⁷

Later, Kidrič got onto industrial exports, arguing that the republics and local committees needed to pay more attention to achieving exports that were crucial for the defence of the country. Tito interrupted sarcastically: ‘It should be remembered that Kidrič took into account also our defensive capacities.’ Kidrič defended himself: ‘I always take into account our defensive capacities’, only to get a further sarcastic reproach: ‘It's just that our exports fell short.’³¹⁸ When Kidrič finished his presentation, Tito stated explicitly:

³¹⁶ Petranović et al, *Sednice*, 490-493, 495-505

³¹⁷ *ibid.*, 395

³¹⁸ *ibid.*, 397

'I must openly say that I often argue with Kidrič...Comrade Kidrič always accepts my criticisms but he has obligations, since our industry seeks this and that and he has to give it...but what do we need to take care of? Who is our ally today? Our only ally is our own people and if you lose it, then you are left with no one. On the one side the Cominform, on the other side – the capitalists. That is why we have to keep our one ally.'³¹⁹

Tito similarly criticised Tempo for excessive mobilisation and asked why they do not use 'contracts and other measures' in the mines,³²⁰ only to be told that enterprise directors should indeed be made more responsible 'but if left to themselves – I think that would not be good.'³²¹ Exchanges with Veselinov, a member of the Serbian leadership from Vojvodina, involved both Tito and Kardelj, and were longer and more light-hearted. Veselinov sought faster collectivisation in Vojvodina, Slavonija and other grain-growing areas only to be accused of 'voluntary establishment [of collectives] by decree'. His retort was that peasants from his locality were favourable and that they were fighting for socialism, which earned Tito's riposte that 'you are beating them with socialism!'.³²²

Dissident voices at the Third Plenum made it clear that a section of the leadership feared that the emphasis on intensive and economic methods was premature: Djuro Pucar from the Bosnian government spoke early in the debate to argue in favour of legalising conscription of skilled labour as the best way of overcoming fluctuation.³²³ No one backed his proposal but several speakers expressed their desire to maintain a more gradual transition away from the campaign and political methods of the preceding period. Veselinov, probably fearful of workers returning to the land, explicated the oppositional line in reference to Pucar: 'I am not speaking here of the suggestion by comrade Pucar that it is necessary to pass a law on forced labour mobilisation...[however] I would say that the transition [to the new system] must not

³¹⁹ *ibid.*, 402-403

³²⁰ *ibid.*, 416

³²¹ *ibid.*, 417

³²² *ibid.*, 429

³²³ *ibid.*, 419

be sudden but gradual'.³²⁴ Perhaps the most direct expression of the unrepentant hard line from within the leadership came from Nešković who later quit the party in 1952 amid accusations that he had never reconciled himself to the Cominform split.³²⁵ He cited several other speakers to suggest that the Communists had ample reason to believe that they could rely on the changing attitudes of the peasants to effect collectivisation, and then clashed with Kardelj:

'We cannot view the functioning of these various economic laws so fatalistically: the minute we give the peasant enough stimulation, his petty-propertied soul and his economic position come into contradiction with us and he is turned down work [so that he should cease being a burden on the state budget by being taken off guaranteed provisions]. That is a fatalistic worldview. We have to struggle against such phenomena by political work, we have to characterise this thing as political and to conduct class struggle. But we often fatalistically view certain objective economic and social laws within class struggle. (Comrade Kardelj: '*But [to claim] that this does not exist [is wrong], it does exist!*') I think we should not relate to them fatalistically.'³²⁶

The leadership line associated with Tito and Kardelj prevailed but it was obvious that there was much confusion in the leadership. No stable factions existed and frequently speakers expressed different attitudes on different questions. Thus Veselinov and Nešković, who both opposed the economistic conciliation of the population, came from different poles on the agricultural question with the former favouring collectivisation by force if necessary and the latter arguing against collectivisation but in favour of more political methods to win peasants.³²⁷ The opposition to the leadership line was therefore shallow because it represented attitudes rather than a programme and because it was consequently divided. It was probably on account of such opposition and not just the need to win the population that the leadership was slow at first to introduce reforms but felt safe to accelerate whenever it could present unmistakable signs of crisis that sought decisive measures. In fact, the leadership's own stability appeared to owe as much to its position in power and hence its

³²⁴ *ibid.*, 430

³²⁵ Momčilo Mitrović, 'Dr Blagoje Nešković – Ibeovac', in *Tokovi istorije*, 2006, 1-2, 257-264

³²⁶ Petranović, *Sednice*, 458

³²⁷ *ibid.*, 456-457

ability to initiate policies, its standing from the wartime era and the unity enforced by the outside threat, as to the coherence and hegemony of its own ideas within the leading echelons. This was illustrated by the contrasting approaches taken in Djilas's and Kardelj's speeches on the other issues dealt with at the Plenum. The idealistic Djilas was the first to raise the term 'self-management' albeit in relation to the cultural sphere while Kardelj exuded supreme pragmatism in his defence of *realpolitik* for Yugoslav foreign affairs: 'we need to know how to make the correct tactical...concessions'.³²⁸

The seemingly contradictory turn towards 'objective' laws partially also expressed a dual reality as the leadership saw it. On the one hand, the intensity of the effort to fulfil the Plan in adverse conditions during 1949 had impressed most of the leadership sufficiently to suggest that socialised forms of production would prove suitable as a strategy of legitimating and reinforcing KPJ goals. On the other hand, campaign methods had over time proved themselves structurally limited and had begun antagonising the population in a mode that boded ill not just for the stability of the regime but for the geo-political position of the country. The centrality of workers' councils to reforms reflected and refracted this contradiction in that the reforms represented a fundamental shift in the mechanisms employed to fulfil the Plan. The leadership would duly accord workers' councils pride of place in the evolving ideological framework that would define the 'Yugoslav Road to Socialism'. Yet the changes simultaneously represented both a retreat from herculean mobilisations and an attempt to harness the popular consent and participation that the leadership had glimpsed in the industrial consultations, youth or volunteer brigade efforts, and shock-work. The gradualism of effort over the following period therefore expressed the need to win the higher echelons of the apparatus as well as the population to the new measures.

³²⁸ *ibid.*, 292, 474

Over the following six months, however, conditions changed faster and more profoundly than the process of reform itself. Woodward notes that ‘[t]he new system was introduced in a campaign of three battles during 1950: the “battle to stabilise the workforce” with employment contracts; the “battle to balance goods and monetary funds” through enterprise-level balances among wages, labor plans, and guaranteed provisions; and the “battle to execute the production plan with reduced quotas of labor.”’³²⁹ Kidrič at the Third Plenum envisaged the employment of a modest 50,000 fresh workers over the following year.³³⁰ With production not rising fast enough to cover the wage bill or stabilise the urban-rural divide, however, the leadership decided it needed to effect downward revisions in employment by late February. The ensuing decision in July to pursue deep cuts in the public sector over the autumn appealed to decentralisation as a path of bringing management closer to the workplace. This deepened the ideological purview of self-management from the workplace to an anti-statist agenda based on decentralisation. Workers’ councils had turned by mid-1950, then, into a central ideological plank of a set of what turned out to be market reforms. Their circumstances of operation and their significance changed significantly as a consequence.

The exact role of the councils consequently evolved and the scope of their competencies, reflecting the gradualist predispositions of the leadership, remained minimal. Their enactment in experimental form in December 1949 had registered concessions to the unions in comparison with the draft directive of mid-1949. The meeting at which the Economic Council formally decided to introduce the councils had taken place on 8 December and had explicated their ideological significance much earlier than Djilas claimed,³³¹ in that their

³²⁹ Woodward, *Socialist Unemployment*, 151

³³⁰ Petranović, *Plenumi*, 388

³³¹ Almost every account of their elevation from experimental status quotes Djilas’s rather facile and misleading account in *Rise and Fall*, 265-269: ‘Once again I began working through *Das Kapital*...And so, as I perused in

'establishment and participation in the management of the enterprise is founded on the Marxist principle that the means of production shall be run by those who labour on them'.³³²

The terms of the Directive, released on 23 December, duly contrasted with the terms of the earlier draft in several important ways. First, the Directive specified already in Article 2 that the competencies of the director 'do not in any way' change as a result of the formation of the council in a workplace and that the competencies of the union organisation are 'neither changed nor diminished' as they continued to organise socialist competition and mobilise the working class for the purposes of production. Second, the powers conferred upon the council as laid out in Articles 3 and 4 were merely consultative in regard to business plans but proactive in regard to the organisation of the work-process. Third, in direct opposition to the draft, the director was automatically a member of the council under Article 6. Fourth, meetings would be held monthly at a minimum rather than quarterly as stipulated by Article 9. The Directive did contain some concessions to criticisms of the top-down nature of the process of decision-making in that in Article 12 it assigned the council the 'duty to...inform' unspecified higher government bodies of problems should the council be dissatisfied with the decisions of the director or the administrative-operational officer. Article 16 also bound the council to inform the entire work collective of important decisions via production consultations or workplace conferences.³³³

Developments on the ground moreover gave little indication that the ceremonial inauguration of self-management in mid-year owed much to the flourishing of initiative from below. The

Marx those passages dealing with a future "association of immediate producers"...One day in late spring [1950], while we sat in a car, I presented the idea to Kardelj and Kidrič. Both thought it was premature...Then one day Kidrič phoned me...When we presented this in the National Assembly's Hall of Ministers, Tito was at first opposed....after pacing about for a bit, he exclaimed excitedly, "Bit this is Marxist – factories to the workers!"

³³² AJ 40-4, 'Zapisnik sa konferencije po pitanju formiranja radničkih saveta, održane 8.XII.1949 god.', Zapisnik br. 591/III

³³³ AJ 117-273-509, Uputstvo o obrazovanju i radu radničkih saveta državnih privrednih preduzeća

initial reports of pre-election conferences and assessments of the elections of the experimental councils, produced by the trade union bodies charged with their conduct, revealed the frequently paternalistic aspirations of the higher echelons of the party-state, the uneven implementation of these aspirations by enterprise-level leaderships and the varied responses from workers on the production line. The most striking aspect of the process was how the apex judged success: it sought the election of shock-workers, skilled workers, innovators and technicians but bemoaned the over-representation of 'intellectuals' and the under-representation of women;³³⁴ it lamented the frequent lack of participation in discussions at the inaugural sessions on the part of workers and mostly blamed poor agitation in preparation of the event or the irrelevant speeches by local party officials as the main reason;³³⁵ it celebrated worker participation in discussion where it occurred but condemned attempts to present alternative lists for election to the workers' council and described undefined criticisms made as 'an improper, and possibly even enemy viewpoint';³³⁶ it saw the organisation of production as the desired topic of discussion and viewed the announcement of socialist competition as acceptance of the councils in the best spirit.³³⁷ On the basis of stenographic records that are apparently now lost, Olivera Milosavljević records the first consultations with directors, union activists, party members and republic ministers, held over the conduct of elections: 'workers' councils were generally interpreted as being an auxiliary

³³⁴ AJ 117-276, 'Analiza o izvršenom osnivanju i sprovedenim izborima radničkih saveta državnih privrednih preduzeća' in NR Serbia, dated by hand '23.II.50', 2; and also: 'Analiza održanih izbora sa radničkih saveta' in NR Croatia, dated by hand '3.III.50'. 1-2; 'Zaključno poročilo delavskih sovetov v Sloveniji' in NR Slovenia dated '22.II.1950' 2

³³⁵ AJ 117-276, 'Analiza o izvršenom osnivanju i sprovedenim izborima radničkih saveta državnih privrednih preduzeća' in NR Serbia, dated by hand '23.II.50', 4-5; 'Analiza održanih izbora sa radničkih saveta' in NR Croatia, dated by hand '3.III.50'. 2

³³⁶ AJ 117-276, 'Analiza o izvršenom osnivanju i sprovedenim izborima radničkih saveta državnih privrednih preduzeća' in NR Serbia, dated by hand '23.II.50', 5

³³⁷ AJ 117-276, 'Analiza o izvršenom osnivanju i sprovedenim izborima radničkih saveta državnih privrednih preduzeća' in NR Serbia, dated by hand '23.II.50', 5; 'Zaključno poročilo delavskih sovetov v Sloveniji' in NR Slovenia dated '22.II.1950', 2; 'Analiza održanih izbora sa radničkih saveta' in NR Croatia, dated by hand '3.III.50'. 1

organ of the management, as well as that their appearance was in direct relation to the current foreign affairs position of the country in relation to the East...'.³³⁸

Yet even before the leadership was able to mould its experiment in response to the first experiences of the workers' councils, the economic situation changed dramatically for the worse. Already in January, all indications were that the five-year plan was running into problems. In the Serbian mines, the Economic Council registered that 'it is a general tendency that the directorates of the mines and the party and trade union organisations are completely demobilised' while in Slovenia 'resistance' was developing to 'the introduction of brigades'.³³⁹ A Politburo meeting in January also discussed serious political problems in Slovenia. A member of the Slovene Politburo recounted how the leadership had felt that 'things had been slipping from their hands' the previous November; the economic situation had meanwhile got better while reforms 'which impact on the work of the Party (w.councils, democratisation, etc)...[amounted to] measures that shook the ranks and require intensive political work [to mend]'.³⁴⁰ Just the following month, however, plummeting agricultural production and the dismemberment of the agricultural co-operatives forced the Communists to further make concessions before an emerging hostile reality:³⁴¹ on account of the growing gap between the demands of the urban population and the capacities of rural production, the Economic Council decided that 'a kind of respite' was necessary with a fall in the number of employed.³⁴² The Economic Council hosted representatives of all the republics and re-iterated this decision at the start of March calling for unhesitating resolve in cutting labour supply and

³³⁸ Milosavljević, *Država i samoupravljanje*, 105

³³⁹ AJ 40-5-10, 'Zapisnik sa konferencije po pitanju uglja 18.I.1950 god.', Zapisnik br. 12/IV, 1

³⁴⁰ AJ 507-III/39, wrongly dated 15. January 1949. The intention had obviously been 1950. 13

³⁴¹ Bokovoy, *Peasants and Communists*, 131-140

³⁴² AJ 40-5-10, 'Zapisnik sa konferencije sa predstavnicima NR po pitanjima plana građevinskih radova, plana radne snage i plana prometa robe za 1950. god. održana 27.II.1950', Zapisnik. br. 42 /III, 3

ending fluctuation.³⁴³ By the beginning of April, some 70,000 had been removed from guaranteed provisions and the Economic Council calculated that the balance between newly employed and unemployed would leave some 20,000 workers without work.³⁴⁴

Such measures, however temporary, could not but impact on the functioning of the councils. Whereas instances had arisen, in Serbia, of councils seeking to supplant management with their resolutions communicated in the language of command in the first month of the operation of workers' councils,³⁴⁵ the overall pattern tended towards decreasing participation in the first six months of 1950. Most reports from most republics noted that management, the party, the unions and the workers themselves had understood the councils as a mere formalisation of the production consultations. Frequently, general consultations ceased entirely and elected councils took their place;³⁴⁶ attendance at council meetings which comprised an elected minority was poor and dominated by the director and technical staff;³⁴⁷ an informal new institution emerged in the form of the management board (*upravni odbor*) within the council to deal with everyday tasks;³⁴⁸ higher bodies frequently felt they could dominate;³⁴⁹ the quantity and quality of contributions by workers at the council was inadequate in that, when a contribution was made, it most often related to the organisation of labour in a particular sphere of production within the enterprise and did not venture beyond to questions of management or social welfare;³⁵⁰ production issues dominated the agenda,³⁵¹

³⁴³ AJ 40-5-10 'Zapisnik sa konferencije sa pretsavnicima NR održane 1. marta 1950 godine', Zapisnik. br. 42/III, 1

³⁴⁴ AJ 40-5-10, 'Zapisnik sa sednice Privrednog saveta, održane 7.IV.1950', Zapisnik br. 59, 1

³⁴⁵ AJ 117-276, 'Izveštaj o radu radničkih saveta u periodu februara 1950 godine', Serbia, 2

³⁴⁶ AJ 117-276, 'Informacija o radu radničkih savjeta i upravnih odbora nekih preduzeća' from Bosnia and Hercegovina, no date, 1-2

³⁴⁷ AJ 117-276, 'Informacija o radu radničkih savjeta i upravnih odbora nekih preduzeća' from Bosnia and Hercegovina, no date, 2

³⁴⁸ AJ 117-276, 'Informacija o radu radničkih savjeta i upravnih odbora nekih preduzeća' from Bosnia and Hercegovina, no date, 12; 'Analiza dela Delavskih svetov', Slovenia, 18 April 1950, 2

³⁴⁹ 'Izveštaj o radu radničkih saveta', Serbia, 16 June 1950, 3

³⁵⁰ AJ 117-276, 'Informacija o radu radničkih savjeta i upravnih odbora nekih preduzeća' from Bosnia and Hercegovina, no date, 2; 'Izveštaj o radu radničkih saveta', Serbia, 16 June 1950, 2

conclusions and resolutions were rarely concrete;³⁵² there was little attempt to alert rank-and-file workers of the content of meetings and it was only resolutions that the union and party cells would popularise;³⁵³ a comparatively small number of councils sent in reports about their activity at all and meetings were not infrequently scarce;³⁵⁴ and even the trade union reports suggested prompting a change of presidents of councils where union officials felt work was unsatisfactory.³⁵⁵

Overall, however, the leadership appeared pleased with the councils, since they had proved reliable in uncovering hidden reserves and become the central instrument for raising productivity.³⁵⁶ Introduction of workers' councils had also been calculated 'to secure workers' cooperation – by being allowed to review management's decisions – in the upcoming employment revisions that would reduce "surplus labour" and "hoarding" and send "one part eventually [back] to the village".³⁵⁷ On this count, the results were mixed. At times, when councils discussed cutting employment, their conclusions went against the desires of the higher echelons of the party-state: one report from Macedonia for April cited with disapproval council deliberations in which skilled workers bore the brunt of the

³⁵¹ AJ 117-276, 'Informacija o radu radničkih savjeta i upravnih odbora nekih preduzeća' from Bosnia and Hercegovina, no date, 2-12. The report lists the agenda for council meetings in seven firms for the period of 1950 and 1951. Four had a workers' council since January 1950, and each held between three and six meetings in the first six months of 1950 discussing a total of 49 items. Welfare was on the agenda only three times. Organisational questions within the council itself came up four times. All the other items on the list pertained to production methods and targets.

³⁵² AJ 117-276, 'Informacija o radu radničkih savjeta i upravnih odbora nekih preduzeća' from Bosnia and Hercegovina, no date, 13; 'Analiza dela Delavskih svetov', Slovenia, 18 April 1950, 2; 'Izveštaj o radu radničkih saveta', Serbia, 16 June 1950, 2

³⁵³ AJ 117-276, 'Informacija o radu radničkih savjeta i upravnih odbora nekih preduzeća' from Bosnia and Hercegovina, no date, 14; 'Izveštaj o radu radničkih saveta', Serbia, 16 June 1950, 3

³⁵⁴ AJ 117-276, 'Izveštaj o radu radničkih saveta u periodu februara 1950 godine', Serbia, 1

³⁵⁵ AJ 117-276, 'Informacija o radu radničkih savjeta i upravnih odbora nekih preduzeća' from Bosnia and Hercegovina, no date, 15

³⁵⁶ AJ 40-5-10, 'Zapisnik sa sednice privrednog saveta 11 aprila 1950', Zapisnik br. 62/IV, 2; 'Zapisnik sa sednice Privrednog saveta, održane 29 i 30 aprila 1950 g.', Zapisnik br.67/XI 6; 'Zapisnik sa konferencije sa pretsednicima privrednih saveta Narodnih republika, održane 11 i 12 maja 1950 g.', Zapisnik br.72/XV 18

³⁵⁷ Woodward, *Socialist Unemployment*, 156. It is to be taken Woodward is citing CC members from the Plenum.

imperative to reduce excess labour in the enterprise.³⁵⁸ That was not an isolated incident according to the Economic Council.³⁵⁹

The exact reasons for the timing behind the decision to inaugurate the workers councils in mid-1950 still remain a mystery though. It is noteworthy that the final preparations occurred at a time of further slowdown in industrial production,³⁶⁰ the verge of a catastrophic harvest following armed peasant uprisings and in the wake of drought,³⁶¹ and depressed international trade following spats with the West in early 1950.³⁶² The Federal Parliament in June 1950 enacted 'The Basic Law on the Management of State Enterprises and Higher Economic Cooperatives on the Part of Work Collectives', instituting councils in industry and mining, but the law substantially changed little in comparison with the December directive in terms of the mode of functioning of the councils. More extensive and bombastic, with greater powers of initiative on the part of the councils and recognition of the informal management board, which also acted as the appeal board in dismissal cases, the new law still retained the ultimate powers of the director or higher state organs in regard to the business plan, hiring, and veto over measures at variance with the law and the plan, under Articles 8 and 37-40.³⁶³ Likewise, Tito's speech inaugurating the law had ideological import as it amounted to 'the first step in the formulation of the doctrine of "worker self-management"...which constituted a major subtheory of the doctrine of the withering away of the state.'³⁶⁴ Pushed against the wall, the Yugoslav Communists had probably decided to make a statement of principle and defiance,

³⁵⁸ AJ 117-276, 'Izveštaj o radu radničkih saveta na teritoriji NR Makedonije za mesec april 1950 godine', 3

³⁵⁹ AJ 40-5-10 'Zapisnik sa konferencije sa predstavnicima narodnih republika po pitanjima opšteg plana građevinarstva, plana građevinarstva za mesec april i plana radne snage, održane 5 aprila 1950 godine.', Zapisnik br. 60/III, 2

³⁶⁰ The already reduced yearly plan had been fulfilled by 46 percent of the total in mid-year in value but not by the quantity or quality of goods. AJ 40-5-10, 'Zapisnik sa sastanka sa pomoćnicima, održanog 12.VI.1950 god.', Zapisnik br. 85, 1

³⁶¹ Bokovoy, *Peasants and Communists*, 134-140

³⁶² For figures, see Rusinow, *Yugoslav Experiment*, 60; for difficult period in Yugoslav-Western relations see Bekić, *Jugoslavija u Hladnom ratu*, Chapters 7 and 8

³⁶³ See Bošković and Dašić, *Socialist Self-Management in Yugoslavia, 1950-1980, Documents*, 63-72

³⁶⁴ Johnson, *Transformation of Communist Ideology*, 162

setting out on their path. Symbolically, the date coincided almost exactly with their expulsion from the Cominform.

Market Socialism and the Republic of Producers

Whatever the exact reasoning for the timetable of reform that followed June 1950, its effects were far-reaching. Policy towards the countryside manifested a progressive withdrawal of direct state encroachment. The government did away with agricultural machine stations in September 1950, abolition of collections followed in two waves in mid-1951 and then mid-1952, introduction of higher prices for agricultural goods and a more relaxed taxation regime occurred in several intervals over the same period.³⁶⁵ The dismantlement of the collectives also progressively took place in 1952.³⁶⁶ On the industrial front, as one prominent account has aptly put it, '[t]he first eighteen months after June 1950 were marked by a series of administrative and legal changes which were individually of minor significance but which reflected and also reinforced the new approach...Measures...in 1951 included the elimination of the state control commission in February; the suppression of the Federal Planning Commission and most remaining federal-republican economic ministries and directorates-general in April; no less than three laws...attempting to free price formation in consumer goods; and the liberation of the consumer from restrictions of his choice of market and an 'administered supply' of agricultural goods.'³⁶⁷ By mid-1952, direct contracts between buying and selling firms replaced the supply allocation plan which was characteristic of central planning, leaving enterprises free to operate 'within existing capacities'.³⁶⁸

³⁶⁵ Bokovoy, *Peasants and Communists*, 149

³⁶⁶ *ibid.*, 151

³⁶⁷ Rusinow, *Yugoslav Experiment*, 62-63

³⁶⁸ Milenkovitch, *Plan and Market*, 82

The ideological import of self-management within this process was central. The dismantling of the central apparatus at this stage amounted to a considerable extent to a federal offensive against what it perceived the incorrigible and long-time recalcitrance of the republics that had been retarding the Five-Year plan. The struggle for control had always involved both the weakening of and making concessions to the republics. The former included strong vertical hierarchies of initiative and control over the bulk of finance, investment and legislation. The most notable instance of the latter included the abolition of various federal ministries, of Mining and Electrical Industry in February 1950 and Agriculture, Forestry, Light Industry, Construction, Trade and Supply in April 1950, and their transferral to the republics.³⁶⁹ Each concession required a negation, however, and the federal summit proved original in its various attempts to undermine the republic leaderships. Various historians have suggested that enfranchisement of the enterprise or municipal level had always been intended by the federal government to create allegiances at sub-republican level that would pressure the federal units from below.³⁷⁰ Indeed, Kidrič placed the role of the federation and the republics in the overall plan for decentralisation in a more ideological exposition in the spring: 'What we are discussing here is that the process of development is such that the apparatus does not turn into a bureaucracy but fulfils its tasks, coupling with the ever greater initiative of the masses, which replaces the apparatus ever more...This will allow for the apparatus at the federal and the republic levels to diminish...'³⁷¹

Yet within a month, he lambasted the republics because they: 'understood the reorganisation as state-decentralist, and not decentralisation in the sense of bringing the management of production closer to the producer. The republics give next to nothing to the municipalities

³⁶⁹ Rusinow, *Yugoslav Experiment*, 57, ff. 74

³⁷⁰ See Walker Connor, *The National Question in Marxist-Leninist Theory and Strategy*, Princeton, N. J.: Princeton University Press, 1984 229

³⁷¹ AJ-40-5-10, 'Zapisnik sa konferencije sa pretstancima NR, održane 1 marta 1950 godine', Zapisnik br. 42/III, 3

and the process of the transferral of local industry is going very slowly'.³⁷² He went on to publicly announce at the inauguration of the 'Basic Law on the Management of State Economic Enterprises by Working Collectives' in the Federal Assembly in July 1950 that the cuts of '20-30%' of the administration ensured: '[that] the right of command of the state administration over the economy is ever more restricted...the [state] apparatus in our economy...increasingly really transforms into the true servants [*sic*] of the working people'.³⁷³

The measures taken in the summer did not result in satisfaction for the federal apex, moreover, and Minister for Heavy Industry Svetozar Vukmanović Tempo spoke for several ministers when he said on 15 December: 'The economy has, with decentralisation, closed off into republican borders.'³⁷⁴ Therefore, Yugoslav hopes that domestic trade which had been liberalised in September that year would begin to break down barriers in the rural-urban divide or the inter-republican divide had run against structural meltdown in the countryside: dinars in circulation had dropped from 45 billion in 1949 to 40.9 billion by the end of 1950.³⁷⁵ Only an emergency \$50 million loan sought after in early October of that year and forthcoming from the US in mid-November forestalled 'the prospect of starvation in some areas'.³⁷⁶ Exports had already fallen from \$302.2 million in 1948 to \$192.3 million in 1949 but in 1950 they fell further to \$158 million. By contrast, imports had fallen more slowly from \$315.7 million in 1948 through \$291.4 million in 1949 to \$231.6 million in 1950.³⁷⁷

³⁷² AJ-40-5-10, 'Zapisnik sa sednice Privrednog saveta, održane 26.VI.1950 god.', Zapisnik broj 94, 1

³⁷³ Boris Kidrič, 'O reorganizaciji državnog upravljanja privredom', in *Socijalizam i Ekonomija*, Globus, Zagreb, 70

³⁷⁴ 'Zapisnik sa sednice Privrednog saveta Vlade FNRJ održane 15. decembra 1950. godine', zapisnik br. 171

³⁷⁵ *Ibid.*

³⁷⁶ Lampe et al, *Yugoslav-American Economic Relations*, 32

³⁷⁷ Mladek, J. V., *The change in the Yugoslav Economic System*, International Monetary Fund Staff Papers, 2:3 (1952:Nov.), 419-20

Moreover, the crisis in Yugoslav agriculture, compounded by drought, forced the Yugoslavs to seek aid from the West. Contacts in this direction had already begun in February when Kardelj as foreign minister had presented the American ambassador 'with a persuasive case for aid to Yugoslav economy [*sic*] trying to trade with the West but without any of the promised Western loans'.³⁷⁸ The Yugoslavs sought aid from the International Bank for Development and Reconstruction (IBRD) and the International Monetary Fund (IMF) but as a consequence of the food and export crisis their demands on the former in particular rocketed from \$200 million to \$400 million on conditions far less export oriented than when they first approached the institution.³⁷⁹ This ultimately resulted in direct talks between the American president of the IBRD and Tito himself in September, 1950. While cordial, they failed to break the deadlock and the continued delay meant that the Yugoslav current account worsened in 1951. It was only the determination of the U.S. administration to 'keep Tito afloat' that secured with Britain and France the Tripartite agreement of spring 1951 for \$120 million, to offset the \$205 million deficit in the Yugoslav balance of payments. This amounted to 94 percent of the country's current account earnings.³⁸⁰ That opened the way for the formalisation of military ties and significant U.S. military aid began to flow from November 1951.³⁸¹ The Yugoslavs continued to resist moves to prioritise agricultural and light industry investments, however, claiming that their investment over preceding years would be wasted and was in any case necessary for further diversification later down the line.³⁸²

Following the securing of their international position and the promise of credits that would begin to arrive in 1952, the Yugoslavs began to dismantle what was left of the administrative

³⁷⁸ Lampe, Prickett and Adamović, *Yugoslav-American Economic Relations*, 31

³⁷⁹ Lampe, Prickett and Adamović, *Yugoslav-American Economic Relations*, 37

³⁸⁰ Lampe et al, *Yugoslav-American Economic Relations*, 38-39

³⁸¹ Loraine Lees, *Keeping Tito Afloat*, Chapter 3

³⁸² Lampe, Prickett and Adamović, *Yugoslav-American Economic Relations*, 40-46

apparatus. The new federal arrangement again proceeded to draw power upwards towards federal institutions or devolve it below the republics. Financial power represented the main form of concentration of power upwards while executive functions travelled lower in the hierarchy.³⁸³ The federal apex attempted to discipline the republics from above by exposing them to the world market. The minutes of a meeting held in mid-May expressed alarm that the Plan was stalling and suggested: 'It is necessary to begin with preparations of the conditions for the decentralisation of foreign trade, not just in the sense of a decentralisation that would signify the free disposal of foreign currency but a decentralisation in the sense of the obligations that foreign trade creates for the republics. The import of raw materials will in the main be transferred to the republics, on the principle – import levels will be determined by the fulfilment of the plan of exports... The republics have to start taking responsibility for the fulfilment of the plan.'³⁸⁴ A month later, the Economic Council had gone on to spell out that foreign trade had to capture a share of 'world profit rates' and that decentralisation aimed to enable 'our foreign trade...to transform [the economy] from [being] a commodity accumulator [an importer]...to [becoming] an accumulator of foreign currency [an exporter]'.³⁸⁵ Kidrič himself then went as far as to suggest explicitly in mid-July 'that at first glance this decentralisation of foreign trade looks like pressure on the [Peoples' Republics]. However that is not pressure in a bad way since it is reciprocal...In regard to foreign trade, real decentralisation will be only at such a time when we are able to provide decentralisation by branches, factories and producers. The producer, not the [People's Republic] will buy and sell goods. Then we will reach the mutual association of individual branches.'³⁸⁶ The government indeed took steps first to extend the decentralisation of foreign trade to

³⁸³ Egon Neuberger, 'Centralization vs. Decentralization: The Case of Yugoslav Banking', *American Slavic and East European Review*, Vol. 18, No. 3 (Oct., 1959), 361-373

³⁸⁴ AJ 40-5-10 'Zapisnik sa konferencije sa pretsednicima privrednih saveta Narodnih republika, održane 11 i 12 maja 1950', Zapisnik br. 72/XV, 18

³⁸⁵ AJ 40-5-10, 'Zapisnik sa sednice Privrednog saveta, održanog 7, 11 i 12.VI.1950', Zapisnik br. 82, 6

³⁸⁶ AJ 40-5-10, 'Zapisnik sa konferencije kod Pretsednika Privrednog saveta Vlade FNRJ, održana 17. i 18. Jula 1950. godine', 13

enterprises in May 1951 and only curtailed it partially following the return of economic growth in the second half of 1952.³⁸⁷

The market logic did not eliminate but transformed inter-republic tensions however.³⁸⁸ This was for two basic reasons. First, the market logic demanded a wager on the strong. When, in spring of 1950, the Economic Council had brought to its attention crisis situations in the agricultural areas of Slavonija (Croatia) and Vojvodina (Serbia), it rejected the interpretation that the high intensity of collectivisation and disproportionately high rate of agricultural collections had led to the breakdown of order in these regions. Rather, after over a week of deliberation, the Economic Council concluded that the main problem was the lack of investment in Vojvodina and Slavonija which had gone instead to the so-called 'passive' or historically less developed regions. This was to be corrected in order to strengthen the socialised sector and increase agricultural supply for consumers at home and abroad.³⁸⁹

Second, the case of Macedonia in November 1952 encapsulated the dependence of Yugoslavia on its military capacity for its geopolitical position, which in turn brought it crucial foreign aid. Military-related investment, particularly in Bosnia, did much to dampen the tendencies to regional autarky with decentralisation and market reform that began to emerge in 1950. Nevertheless, it also increased Yugoslav dependence on market-related macroeconomic criteria in investment because of the need to pay off loans. Two government-level meetings held in May and July of that year, which had given the Macedonians mixed signals about investments in their republic, aptly illustrated this new reasoning. Theirs was the only republic, they were keen to stress, which was exporting labour power to the rest of

³⁸⁷ *Službeni list FNRJ*, br 22 od 2. maja 1951. godine, *Službeni list FNRJ*, br. 35 od 1. jula 1952 godine.

³⁸⁸ See for similar conclusions, Hamilton, *Yugoslavia: Patterns of Economic Activity*, Chapter 8

³⁸⁹ AJ 40, 'Zapisnik sa sednice Privrednog saveta Vlade FNRJ, održane 29. i 30. aprila 1950. godine', Zapisnik br. 67/XI; 'Zapisnik sa konferencije sa predsednicima narodnih republika, održane u Privrednom savetu Vlade FNRJ 11. i 12. maja, 1950. godine', Zapisnik br. 67-XI

Yugoslavia: a sure sign of its lack of development. The amount they had been led to believe they would receive was in fact not forthcoming and they were asking in excess of 6.6 billion dinars. It was significant that in doing so they referenced the potential laying to waste of existing foreign investments in the republic should their wishes not be granted.³⁹⁰

It was equally significant that despite, or in fact because of, military and economic aid from the West, the Politburo felt that it had been correct to have diverted the said resources to the upkeep of the army. Tito highlighted the menace as he saw it: 'We cannot help [Macedonia] with foreign currency. The foreign currency for the military has been reduced already and if we were to do this [decrease military expenditure further to 1.2 billion dinars] we would have to close factories. But without the army we are nothing. We don't get aid in order to build socialism but because the West fears the East. That's why we have resolved to give 1.5 billion to the army. We have, therefore, to take care of our external position...We have to advance gradually and build what is necessary [domestically]...We have to take great care of profitability.'³⁹¹ Though the two sides reached a compromise in the form of 5.5 billion dinars going to Macedonia,³⁹² this episode demonstrated the extent to which the Yugoslavs found themselves in a new situation: relying on their geopolitical position to draw investment funds but reinforcing domestic inequalities as a consequence. The purported redistributive character of investment in the initial five-year plan began to appear very distant.

Nevertheless, since federal power largely depended on its monopoly on dealings with international creditors as well as its ability to control fiscal and monetary policy, the apex depended on the strengthening of the legal apparatus. More than that, in order to avoid accusations that it was beholden to financial interests and not to the working people, it aimed

³⁹⁰ AJ 507, III-59, 3, 5

³⁹¹ AJ 507, III-59, 3, 5

³⁹² AJ 507, III-59, 5

to reconstruct new forms of popular control over state executive functions based in the last instance on the workers' councils. This to some extent occurred with the re-assertion of socialist legality at the Fourth Plenum in mid-1951, which had clear undertones of a minimalist socialist state akin to the *Rechtsstaat* of the Continental European legal tradition.³⁹³ Since , the creation of local initiative on the level of the firm would help create a constituency for the regime based on class, what was being crafted, as Connor has suggested, was 'a dialectic scheme in that a transnational identity was to be promoted by stimulating a subnational, functional identity.'³⁹⁴

Indeed, the claim that the state was undergoing a metamorphosis to become the 'commune state' of which Lenin had written about in the *State and Revolution*, rested on the constitutional reforms that the old Communist Moša Pijade was drawing up under the direction of Kardelj from December 1951. Pijade introduced the document on the re-organisation of popular power to the Fifth Plenum in May 1952 to a barrage of criticisms. The main idea behind the complex set of amendments to the 1948 constitution was to strengthen representative over the administrative organs of power, and abolish the Chamber of Nationalities as a second chamber in the federal parliament and replace it with a Chamber of Producers. Delegates were to be elected from workers' councils and other mass organisations. Pijade envisaged that the body would dominate the financial centres that had been amalgamated and placed at its disposal: the self-organised working class would be setting the pace of investment centrally while execution of policy would be decentralised and organised bottom-up.³⁹⁵ The law itself would only be passed in January 1953. Nonetheless, the intention to counter the centrifugal pulls on the federation by appending new mechanisms

³⁹³ For the early Soviet rendition, see Evgenii Pashukanis, *Law and Marxism: A General Theory*, London: Ink Links, 1978

³⁹⁴ Connor: *The National Question*, 229.

³⁹⁵ Petranović, *Plenumi*, 650-652

to a new top body in the Federative Republic that had some popular standing was clear enough. It was a significant step towards widening what had until then been known as 'worker management' to 'social self-management'.³⁹⁶

In the same period, there was an attempt to tie wage increases to increases in labour productivity. Kidrič argued in a series of articles starting in November 1950 going through his most adventurous in July-September in 1951 and ending in January-March 1952 in favour of the harnessing of the law of value to the benefit of the economy. He did warn however against the principle of the establishment of an average rate of profit in the economy.³⁹⁷

Woodward has aptly argued that this followed the socialist preoccupation with the need for wages to be determined by the results of work in the transitional period: 'Although productivity was defined in its Marxist sense of declining socially necessary labour time, and although social control over investment was intended to expand capacity and productivity, the system of industrial relations assumed that the primary source of growth was rising labour productivity in existing firms, supplemented by local initiative...Labor's price...in the public sector should, it was believed, be a direct measure of its contribution to productivity...not a measure of its scarcity and bargaining power on an external market.'³⁹⁸ The consequence was a new wage system passed in December 1951 and operational from April 1952 according to which formal central determination of wage norms and employment quotas was abolished, and wages divided between a guaranteed social minimum and a variable proportion decided by the workers' council.³⁹⁹ The variable element was, however, severely curtailed by the complex 'rate of accumulation and funds' system which basically taxed away at a progressive rate income above that necessary for running production at minimum capacity. More than

³⁹⁶ See for useful explanation of constitutional principles: Ivo Lapenna, 'Main Features of the Yugoslav Constitution 1946-1971', *International and Comparative Law Quarterly* (1972), 21, 209-229

³⁹⁷ Milenkovitch, *Plan and Market*, Chapter 4

³⁹⁸ Woodward, *Socialist Unemployment*, 174-5

³⁹⁹ *ibid.*

that, prices continued to rise amid abandonment of price controls in agriculture and scarcities in industrial consumer goods, and outstripped the minimum portion of the wage, dictating rises in the variable portion, which in turn fuelled inflation.⁴⁰⁰ Some early indication of its inadequacy came when variable rates between skills categories of workers were made to reward attainment of formal qualifications, to take effect from 1953.⁴⁰¹ Nevertheless, the changes in the system as a whole transformed the party-state's approach to labour.

Industrial Relations under 'Socialist' Unemployment

Developments on the shop-floor reproduced in intensified form the transitional character of the period. The effects of the economic crisis, the sheer unevenness of occurrences in view of constant institutional changes and the chaos among lower echelons of the unions in particular on account of demoralisation characterised the first phase of the process of change. Popularisation of the new wage system followed in 1951, only to produce further disorientation upon its introduction in 1952. Several statistics illustrate the depth of the contrast between the years 1946-1949 and 1950-1952. Surveying employment rates alone, with 461,000 workers employed in industry in 1945, rising to 1,990,000 in 1949, and then falling to 1,734,000 by 1952, indicates that it would not be a confident working class pressing its demands in the councils in contrast with the preceding trend.⁴⁰² The leaderships of the various institutions of the party-state continued to exhibit differing attitudes to change, with the KPJ lower echelons being slowest to shed the dirigisme inherited from the USSR, the union leadership beginning a period of soul searching with an increasingly critical stance towards the reforms, and the Popular Front slowly losing its preeminent role in mobilisation and becoming more political-educational in character. The depth of change in social

⁴⁰⁰ Bićanić, *Economic Policy*, 103-105

⁴⁰¹ Bilandžić, *Historija Socijalističke Federativne Republike Jugoslavije*, 185

⁴⁰² Bilandžić, *Historija Socijalističke Federativne Republike Jugoslavije*, 162-163

conditions necessarily provoked a genuine ideological crisis that shook the party-state with the KPJ itself deciding to publicly ditch its leading role as the zenith of the reform process and rename itself the League of Communists (SKJ) to symbolise its new educational role.

With the SSJ charged since December 1949 with implementing worker management in its experimental phases, its role remained central following the passing of the Basic Law. Organisational changes followed fast and the SSJ held two plenums in July and September 1950: the Twelfth and Thirteenth. At the Twelfth Plenum, the trade unions took the decision, first, to follow the trend of the federal state and cut administrative bureaucracy as well as reactivate voluntary participation. Thus the overall number of full time employees, which had risen to 2,271 in 1948 to 3,009 in 1949, now began to fall dramatically, to 1,140 in 1950, 499 in 1951, 433 in 1952, and 411 in 1953.⁴⁰³ Second, measures against bureaucratic methods envisaged a more active approach to leadership at lower levels of the hierarchy. This implied among other measures leaving 60-70 percent of dues to the local organisations, while the figure had been 30 percent.⁴⁰⁴ Third, in direct response to the implementation of the Basic Law, the fundamental role of the SSJ became educational and cultural in nature. For fear that the complexities of the transition could strengthen bureaucratic resistance to the line in the lower echelons of the party-state, factory cells had to educate workers to help them assert themselves in the councils. That task included attention to working and living conditions among workers even though that task would begin to wither away.⁴⁰⁵ Fourth, the Plenum abolished the division in competencies between the territorial and industrial unions at local level because the frictions and lack of co-ordination had been detrimental to work.⁴⁰⁶

⁴⁰³ Milosavljević, *Država i samoupravljanje*, 320, ff. 112

⁴⁰⁴ *ibid.*, 327

⁴⁰⁵ *ibid.*, 325-326

⁴⁰⁶ *ibid.*, 326

Local leaderships and the rank-and-file interpreted the results of the Basic Law and the Twelfth Plenum as the cessation of the need for a union. Membership began to fall and mass apathy set in. Some union leaders continued in the 'old way' but the key-note speaker exhibited greater fear of 'parliamentarianism' than 'bureaucratism' in the ranks: discussion without mobilisation would be detrimental to the economy.⁴⁰⁷ The new task would be to advise councils and management boards on economic affairs because of the experience of the union but also to continue mobilising the workforce to attain the goals of the plan. Part of the problem was however that more general cultural and educational work had since the Sixth Congress fallen to single individuals to conduct and had thus disappeared for all practical purposes in the productivity drive. Now, the focus would be for committees as a whole to conduct educational and cultural work, with more courses and schools for union activists.⁴⁰⁸ This followed a similar move by the KPJ: both were an obvious response to the need to switch to an intensive mode of work which involved greater technical and cultural levels among workers.⁴⁰⁹ The Thirteenth Plenum attempted to redress problems by circulating clearer and more detailed guidelines for activists, which were later cited by local union branch reports as having had a beneficial impact.⁴¹⁰

The unions thereafter spent most of 1951 preparing the ground for the new wage system, holding a consultation, plenum and congress. Their new identity was more akin to the sympathetic teacher than charismatic organiser. Leaders appeared to become ever more openly concerned about living standards. Their refrain became that they were aware that times were tough but they pointed out that external difficulties were the cause. They explained that welfare projects continued to be pursued nonetheless and that changes to the

⁴⁰⁷ AJ 117-15-32, 'Mišo Pavićević: Uloga sindikata u osposobljavanju trudbenika za upravljanje privredom', 9

⁴⁰⁸ *Ibid.*, 37-39

⁴⁰⁹ Ljubodrag Dimić. *Agitprop kultura: agitpropovska faza kulturne politike u Srbiji, 1945-1952*, Rad, Beograd, 1988., 248-249

⁴¹⁰ Milosavljević, *Država i samoupravljanje*, 330

economic system would bring improvements if workers understood the correct balance between raising their own wages and reinvesting. Accounts of the new wage system and the market became frequent. Thus, the appeal was to patience rather than superhuman efforts.⁴¹¹ The contrast between the citations from the Marxist classics in 1950 and 1952 mirrored this state of affairs. At the close of the Thirteenth Plenum, the battle cry was that 'in the realisation of the most responsible task which historical development has foisted on mankind – the erection of the free association of direct producers – our unions will, under the leadership of the Communist Party, make their contribution and justify their name – the schools of the socialist education and cultural elevation of the working class.'⁴¹² By contrast, the leadership address to the Second Congress in November 1951 was far less bombastic. It cited Marx from the Civil War in France:

'The working class did not expect miracles from the Commune. They have no ready-made utopias to introduce *par décret du peuple*. They know that in order to work out their own emancipation, and along with it that higher form to which present society is irresistibly tending by its own economical agencies, they will have to pass through long struggles, through a series of historic processes, transforming circumstances and men.'⁴¹³

By spring, however, it had become clear that despite the importance accorded to the issue of the new wage system at the Second Congress, unions had not prepared the ground adequately. The consultation held in March with the leaders of the industrial unions made it clear that all other work was to be delayed such that conferences about the new wage system could be held, the requisite information gathered and the correct line communicated to members.⁴¹⁴ The responsible union officer explained that: 'the basic question to which we should pay special attention is the correct distribution of the wage fund within the enterprise,

⁴¹¹ AJ 117-15-33, 'XIV plenum, 18-19 juna 1951g u Beogradu', 'Zadaci sindikata u rešavanju neposrednih ekonomskih i socijalnih pitanja radnika i službenika', 1-15

⁴¹² 'Mišo Pavićević: Uloga sindikata u osposobljavanju trudbenika za upravljanje privredom', 39

⁴¹³ *Second congress of the Trade Union Federation of Yugoslavia, Zagreb, 6th-8th October, 1951.*, Belgrade, 1951, 16

⁴¹⁴ AJ 117-21-56, 'Zapisnik sa sastanka održanog sa predsednicima Centralnih odbora sindikata na dan 7 marta 1952 godine' 1

the determination of the tariff rates for each workplace, the liquidation of wage levelling and due reward for work performed.⁴¹⁵ Since special care was to be taken to ascertain average wages in enterprises within an industry and across republics, the inescapable conclusion was that the centre was serious about trying to create an even playing field for every worker such that individual pay would reflect individual work regardless of the circumstances of the firm or region the worker was employed in.⁴¹⁶

The design of the wage system made this very difficult in conditions of underdevelopment and unevenness. The second elections to the new workers' councils took place in the spring of 1952 and boded ill for the introduction of the wage system: turnout was low as 'peasants industrial workers'⁴¹⁷ did not attend and masses of workers in any case appeared to boycott.⁴¹⁸ The councils' work was poor: councils 'separated themselves from the collective', workers did not know 'who the president of the workers' council was' and continued to believe in the omnipotence of the director, and the party analyses themselves sought explanations in the subjective weaknesses of the various political and social actors rather than trying to find reasons in material conditions.⁴¹⁹ Regional economic disparities began to blight both the content and quality of reports: in industrialising Bosnia, the work of the councils was worrying as up to a third of councillors did not take part in proceedings and 'enemy elements' were vocal.⁴²⁰ The former tendency probably reflected the high incidence of 'peasants workers' while the latter explanation sounded like the highly moralistic partisan approach of the immediate post-war period, suggesting that those writing reports continued to be the same people or people trained in the same spirit who saw the world in martial terms. Meanwhile, in

⁴¹⁵ *ibid.*

⁴¹⁶ *ibid.*

⁴¹⁷ The phrase is taken from the famous description of workers living in the village but employed in the city provided by the sociologist Cvetko Kostić, *Seljaci industrijski radnici*, Rad, Beograd, 1955.

⁴¹⁸ Milosavljević, *Država i samoupravljanje*, 184

⁴¹⁹ *ibid.*, 185-186

⁴²⁰ *ibid.*, 192

the more developed Slovenia, reports praised the new system for successes in rationalising production. The mistakes they cited were also more nuanced and technocratic: experts hid behind concepts like profitability to hoodwink workers but workers without the capacity to challenge experts developed an opportunist or sectarian line towards experts.⁴²¹

The actual effects of the wage system developed along similar lines. Unemployment increased as skilled workers who dominated the management boards with ultimate jurisdiction over dismissal saw the potential for higher earnings with fewer workers in the enterprise.⁴²² Meanwhile, the uncontrollable environment caused almost immediate and irrational fluctuation of prices but usually an upward trend which drove wages up and inflation up as well: indeed some 43 percent of firms were unable even to pay the minimum social wage and needed to be subsidised by the bank.⁴²³ Generally, only Slovenian reports suggested that the system had caused an increase in productivity. Elsewhere, demobilisation and apathy reigned and, with union indifference, it appeared that neither market nor mobilisation were effective.⁴²⁴ Tendencies towards remedy began to appear for the year 1953. Changes to the wage system tried to blunt the drive towards unemployment by bringing in differentiation of workers according to skill to thereby decrease incentive to lay off less skilled workers. Giving more power of taxation to local government, the federal apex hoped to attain a more rational rate of accumulation and funds that would lessen enterprise dependence on central subsidies.⁴²⁵

Neither the KPJ nor the Popular Front managed to turn this situation around. Communists played a significant role in the work of the councils, comprising just under a third of

⁴²¹ *ibid.*, 194

⁴²² Milosavljević, *Država i samoupravljanje*, 159-160

⁴²³ Ward, *From Marx to Barone*, 169-171

⁴²⁴ Milosavljević, *Država i samoupravljanje*, 236-239

⁴²⁵ Ward, *From Marx to Barone*, Chapter 4

members of workers' councils and just over a third of members of management boards.⁴²⁶ Nevertheless, party cells tended to veer between the 'old methods' of simply asserting the line to the unions and councils, and the new apathy whereby their leadership appeared to be unnecessary in the new era of socialist democracy.⁴²⁷ The Popular Front by contrast had little direct involvement in production given that its role outside the major public projects was not in industry. Still, the Popular Front continued to wrestle the SSJ over voluntary brigades for local works, with union branches attempting to justify their resistance by reference to voluntary work within factory compounds or in factory-related work.⁴²⁸ The Popular Front exhibited extreme demobilisation and an inability to return to political work following its role in 1949: in many bigger cities like Skopje in Macedonia it managed to neither popularise the Basic Law nor produce a single slogan for the first set of elections for workers' councils.⁴²⁹

It was in these circumstances, by the second half of 1952, that Yugoslavia officially completed, or rather abandoned, its ill-fated first five-year plan that it had started in 1947. This signified the end of an era and certainly represented a logical point for the KPJ to hold the Sixth Congress. Tito had explained at the Fifth Plenum earlier in 1952 that the Politburo had kept postponing preparations because of the reform process or what he described as 'the wholesale labour and development of our country'.⁴³⁰ The KPJ finally held its historic Sixth Congress in November 1952 on the anniversary of the Bolshevik revolution. Tito condemned Soviet 'state capitalism' while the young but mortally ill Kidrič delivered his last public speech to re-affirm his legacy as the market planner and doyen of the 'Yugoslav Road to Socialism'. The Congress passed several resolutions of significant symbolic value. The Communist Party of Yugoslavia became the League of Communists of Yugoslavia to

⁴²⁶ Milosavljević, *Država i samoupravljanje*, 311

⁴²⁷ Milosavljević, *Država i samoupravljanje*, 299-310

⁴²⁸ Milosavljević, *Država i samoupravljanje*, 375-376

⁴²⁹ Milosavljević, *Država i samoupravljanje*, 380

⁴³⁰ Petranović, *Sednice*, 647

symbolise a return to Marx. The League was separated from the State; it had a 'conscious' rather than a 'leading' role; its basic or local organisation meetings opened to the public; higher bodies could no longer dispense operational assignments to lower bodies; basic or local organisations would recruit and expel their own members with no reference to the Central Committee; there would be a free struggle of opinions in the organisation instead of the stale obedience of the leaders;⁴³¹ 'socialism was built not by the party but by the class...' with the role of the party 'to educate the class for its [historic] role.'⁴³² Such rhetoric and such moves showed the boldness of an organisation that had decided to leap into the unknown. Where the move had come from is unclear from the available evidence. What is certainly obvious is that the move at the Congress did not logically reflect either the experience of the re-orientation or the deliberations of the mass of the Party. Even more than the Directive establishing the first experimental worker councils, which had been an ideological response to a nevertheless existent force from below in 1949, the 1952 departure from a strict interpretation of democratic centralism showed that the ideological aspect of the Yugoslav transformation, even if it had arisen from material circumstances, had taken on a logic of its own.

Conclusion

This first chapter of the thesis has argued that Yugoslavia struck out on its own path only after 1948. Before the split with Stalin, the KPJ proved to be a highly creative but loyal ally of Moscow. Its domestic politics followed previous Soviet schemes albeit with adaptations to Yugoslav conditions. Indeed, the country's chosen radical development path depended on the Soviet Union and its foreign policy. Close relations existed and no evidence of the desire to

⁴³¹ Rusinow, *Yugoslav Experiment*, 76-77

⁴³² M. Djilas, 'Kompartije u kapitalističkim zemljama', *Naša stvarnost*, January 1953, No. 1, 6

break came to the fore. Nevertheless, the Yugoslavs were an independent ally of the USSR and pursued their line according to their own elaboration of it. When the split came, it took the leadership by surprise. Yet the leadership remained reluctant to retreat from its radicalism and the split temporarily strengthened radicalism because classical methods of labour mobilisation from the 1930s Soviet Union remained the only remaining resource for Belgrade. When that strategy began to reach its structural limits, the Yugoslav Communists tilted West in the Cold War in order to procure security and aid. At that point, the KPJ began to contemplate the dismantlement of its centralised apparatus, decentralisation, financial controls and balancing of budgets, and limited market methods to make the most of its scarce resources to maintain the essentials of its development plan. The worsening of its internal situation given its lack of reserves and the drought that hit the country in the summer of 1950 pushed the Yugoslav leadership towards a progressively increasing reliance on the U.S. for aid. This changed its retreat into a full-blown new strategy that rested on two mutually dependent and yet contradictory tendencies. One was to establish criteria for profitable macroeconomic investments that could keep dependence on the West to the minimum and to repay loans. The other was to use U.S. aid to maintain central control and continue building a military-related heavy industry. This transformed relations domestically, forcing the abandonment of agriculture to the private sector, reinforcing regional imbalances, and weakening labour on the shop-floor.

Workers' management emerged as an idea in 1949 during the height of the major labour mobilisations to complete the plan. As such, it contained the dual imprint of its times. On the one hand, it sought to capture the enthusiasm of the campaign methods gripping industry and the public projects. On the other hand, it envisaged the need to reverse these campaign methods because of their failure to provide a basis for intensive rather than extensive growth.

Institutionally, the first draft in fact made this intention clear because it left the council as an empty shell in the hands of enterprise management and demoted the unions as the chief agents of mobilisation in industry. Union opposition to this draft from a temporary position of strength suggested that the union leadership wanted to maintain a close link with the class it was institutionally wedded to. This dual tendency was built into the first directive since union complaints gained incorporation into the experimental phase of the implementation of the council system. By mid-1950, the basis of the compromise remained but a nuanced oscillation back in the direction of management occurred. It was in fact invisible at the time but became more visible. The rise of the management board and its empowerment as the ultimate tribunal for dismissal expressed well the party leadership's wager on social mobility for the more skilled or qualified against the less skilled at a time when numbers in employment had to be reduced.

The tendency of the director and managing board to block against the workers' council and the wider work collective further evolved in the period after the inauguration of the new wage scheme. Alongside imperfection in the new economic system and wider conditions, this tendency frustrated the party leadership's desire to implement the principle of 'to each according to their work'. Yet precisely because the new system emerged in recession and increasing regional inequalities, the further unintended consequence of the process was the reinforcement of the role the union as an all-Yugoslav organisation in implementing policy and mobilising workers. In conditions of unevenness when neither the market nor mobilisation appeared yet capable of moving society forward, such distinctions were of less import. Struggles over the wage system would soon encapsulate the struggle for the heart of the 'Yugoslav Road to Socialism'. The issue would dominate the mid-1950s. For the time being, though, the ideological moment was supreme as reflected by the temporary triumph of

propaganda over agitation as the preferred method of both the KPJ and the mass organisations. With U.S. funds just keeping the KPJ afloat, the decision of the Sixth Congress to bring the party closer to the population appeared logical. The crisis of 1948-1952 had changed all the familiar coordinates that the KPJ was used to, and it was therefore bound to create a crisis in the party if it refused to adapt. At the Sixth Congress, the leadership decided to force the moment. It was a risky move that soon demanded its own recalibration. That recalibration lasted until 1958.

Chapter 2 – Between State and Market: Workers' Councils 1953-1958

The mid-1950s were a 'testing ground for the market in Yugoslavia'.¹ More than that, though, the period following the Sixth Party Congress in late 1952 and ending with the first strike of the self-management era in the mine of Trbovlje in Slovenia in January 1958 involved a struggle to rebuild the institutions of the party-state on a new basis. Commentators have frequently depicted the resulting tension within Communist policy as one of piece-meal economic liberalisation and soft political conservatism.² The former process crucially included the search for a more gradual and balanced investment policy, correcting the imbalance between heavy industry on the one hand, and light industry and agriculture on the other. The process of political stagnation, by contrast, followed the decision of the Second Plenum of the CC SKJ in June 1953 to take measures to forestall the demoralisation in the rank-and-file membership following the call for the Party to 'wither away'. Djilas's subsequent failure to come back into line, resulting in his expulsion from the leadership and prompt departure from the SKJ, certainly sent a signal about boundaries to reform. Nevertheless, while useful, this broad portrayal of the dual nature of the period obscures as much as it illuminates.

For the Yugoslav Communists faced several synchronized dilemmas. Perhaps the least obvious but in the long term the most serious issue appeared to be the Yugoslav position in world affairs. The KPJ leadership certainly had great reason for satisfaction with the evolution of Yugoslavia's geopolitical status during this period. The death of Stalin in spring 1953 re-ordered international relations from the Yugoslav standpoint. Reconciliation with the

¹ Milenkovič, *Plan and Market*, 120

² Petranović, *Istorija Jugoslavije*, 340; Dj. Tripković, 'Spoljni faktori i politička kretanja u Jugoslaviji 1945-1955', in *Istorija 20. veka*, no.13/2, 1995, 77-90; Rusinow, *Yugoslav Experiment*, 94

Soviet Union followed and, even though the two countries experienced a second confrontation towards the end of the 1950s, over the Yugoslav refusal to return to the bloc, the threat of war seemed to have subsided.³ This process allowed Tito to settle border issues with Italy but also to pursue relationships outside Europe with less fear of antagonising his main creditor in the form of the United States. Close relations with the non-aligned countries in the Cold War, principally India and Egypt, promised both political weight and economic benefit.⁴ The carrot of new and less competitive foreign markets in the East and in the Third World, though, combined with the stick of U.S. aid moving from grant to loan basis.⁵ Thus, as the war economy began to recede, so an export-orientation began to be a pressing concern for the country's leadership.

That could not pass without domestic reverberations. Throughout the period the KPJ worried that its political, social and economic development lagged behind the country's international engagements. The effects of international pressures were not direct, though, and to an extent international factors granted the country domestic latitude for policy experimentation. Over a series of questions, therefore, the immediate problems posed for the leadership had only faint echoes of the external arena. Nevertheless, these became more pressing with time. This chapter traces the developments of the period 1953-1958 in three sequences. The first focuses on the attempt to stabilise the system after the period 1950-1952 and argues that the new decentralised, gradualist and technocratic path, as viewed in particular through the Second and Third CC SKJ Plenums in mid-1953 and early 1954, encountered problems that necessitated a degree of recalibration to achieve national cohesion. The second sequence

³ See Rajak, *Yugoslavia and the Soviet Union*. See also: D. Bogetić, *Jugoslavija i Zapad, 1952-1955*, Javno preduzeće 'Službeni list SRJ', Beograd, 2000

⁴ *Nova strategija spoljne politike Jugoslavije, 1956-1961*, Beograd: Institut za Savremenu Istoriju, 2006. See also: Svetozar Rajak, 'In Search of a Life Outside the Two Blocs: Yugoslavia's Road to Non-Alignment', in *Velike sile i male države u Hladnom ratu 1945-1955: Slučaj Jugoslavije*, Beograd, 2005

⁵ Lampe, Prickett and Adamović, *Yugoslav-American Economic Relations*, Chapter 3.

follows the process of partial re-centralisation that lasted until the Hungarian Revolution. This interlude, another tactical rather than strategic retreat, ended amid real pressures from below arising from the continued inability of the system to establish a closer link between production and consumption. Nevertheless, debates pertaining to the wage system showed an increasing leadership frustration with the lack of productivity gains not merely in absolute but in relative terms: by comparison of producers domestically and in relation to the world economy. The third sequence centres on the major restructuring to the system on a more competitive and decentralised basis, which intensified social and regional strains. The open struggles that erupted on the shop-floor as a consequence shook the myth of the harmonious industrial relations allegedly reigning under self-management.

Part I – ‘The dinar has indeed started running all relations among people’:⁶ Politics, self-management and the market

Politics dominated the domestic scene in 1953 probably more than any other year for the rest of the decade. It was the year in which the new Constitutional Law came into force and the year in which elections for the new Federal Assembly, with its new Council of Producers, were held. It was also the year in which the SKJ leadership made its first assessment of its new direction after the Sixth Congress, as well as the Fourth Congress of the Popular Front at which the Front assumed many of the everyday functions of the Party and changed its name to the Socialist Alliance of Working People of Yugoslavia (SSRNJ). Finally, it was the year in which Djilas came into collision with the leadership resulting in his ouster in early 1954. Across the spectrum, the SKJ found its mechanisms, methods and cohesiveness deficient.

⁶ The phrase is Djilas's at the Second Plenum: AJ 507-II/10, 'II Plenum CK SKJ, 16-VI-1953', 74

The Second Plenum took place in mid-year in response to rank-and-file demobilisation but also the new difficulties thrown up by the market that appeared to be testing both the technical and political capabilities of local leaderships. It re-affirmed gradualism, technocracy and an elitist conception of politics as the legacy of the Congress. That Djilas himself seemed not to notice the mood and to insist on populism, and then even to challenge the acceptable cannon of the Communist regime, suggested that his case represented a departure from the new line and a symptom of disorientation, rather than a cause of political gradualism. Similarly, the electoral campaign in the latter part of the year did not meet with popular enthusiasm until the border dispute with Italy enflamed nationalist sentiments, which suggested that socialist democracy as preached by the leadership did not excite on the shop-floor. The most probable reason for continued public apathy and leadership dissatisfaction with the system was the overall malfunction of AF (accumulation and funds) system, which made economic decision-making more difficult at both the macro- and micro-levels. This would lead to its replacement in the following year by a more government-controlled system of profit-sharing. Workers' self-management in 1953, therefore, continued to be more an object than subject of policy, and its direct remit decreased in the workplace even as its formal political role increased. This presented an embarrassing dilemma for the SKJ.

Between the Congress and the Plenum: The Threat of Populism

The front page of *Borba* on 6 January captured this dilemma well. It reported, as the top two news of the day, on the one hand that the Legislative Committee of the lower house of the outgoing Assembly had completed its reading of the draft Constitutional Law and on the other hand that the republic Congress of the union confederation in Macedonia had discussed

the work of workers' councils and incidents of 'bureaucratism' in enterprises.⁷ The former had cleared the way for the draft to go to its first reading in the legislature while the latter admitted that even the bodies of self-management could exhibit the vice which they had, according to the new orthodoxy, arisen to combat: bureaucracy. The concrete examples, aside from the standard citations of the director making moves independently of the workers' council, concentrated on those councils and union branches that kept silent when their enterprise profited from a monopoly position on the market and when wages therefore rose not on account of increases in labour productivity but at the expense of society.⁸ The parallel tendencies to seek solutions in the wider constitutional-political plane outside the workplace, and to concentrate on the workplace itself, dominated much of the debate through 1953.

The former tendency crystallised largely over spring with the decision at government-level to depart from the AF system. The newspaper report carrying the news explained that the system had 'begun to retard the development of circulation'.⁹ This was a reference to the situation in which the AF system 'concentrated the whole income distribution of the enterprises into one single policy instrument, and if this was wrongly fixed there was no way to compensate for the error by other instruments...The difference between branches was too big, and the whole system had no ceiling, thus leading to inflation.'¹⁰ Policy makers tended to blame wage rises in particular for turbulence in the market. In the words of Kidrič's successor as chief economic policy-maker, former minister of heavy industry and mining Tempo, 'there is a tendency for the rise in purchase funds without a commensurate increase in the commodity funds, i.e. there is not the commensurate rise in the production of industrial

⁷ 'Ustavna reforma: Zakonodavni odbor Veća naroda završio pretres predloga Ustavnog zakona' and 'Treći kongres sindikata Makedonije: Diskusija o radu radničkih saveta i birokratskim pojavama u preduzećima' in *Borba*, 6 January 1953, 1

⁸ *ibid.*, 2

⁹ 'Dvodnevna diskusija u Saveznom izvršnom veću: Potrebno je razraditi položaj komune i samouprave u privredi', in *Borba*, 25 April 1953, 1

¹⁰ Bičanić *Economic Policy*, 104-105

and consumer goods. Evidently, work collectives have not understood that the [living] standard cannot be improved by increasing wages if the commensurate cover does not exist in commodity funds.¹¹ One subsequent study used data from National Bank of Yugoslavia to suggest that the deficit on the total wage bill was 'small' at 6.5 percent overall,¹² with large variations across branches, usually not explicable by reference solely to decisions of workers' councils to raise wages but rather the wider irrationalities in the economy,¹³ which another account put down to poor planning from the centre: the system took no account 'of the capital cooperating with labour in different enterprises; on the contrary, often very capital intensive branches were charged lower rates of accumulation because much of the new investment yielded very low returns on capital or even losses.'¹⁴

The government response duly concentrated on increasing the number of policy instruments such that macroeconomic balances could be restored without the often incoherent 'micro-economic pretensions of Kidrič's fiscal system'¹⁵ Instead of fixing individual rates for each enterprise, then, the new system called the 'distribution of total receipts' or the 'profit-sharing system' imposed an obligation on the enterprise to pay fixed rates of interest on capital and a land tax, an interest on working capital, plus a turnover tax. Next, there would be a wage fund with contributions for vocational training, various business associations, housing and social security. After costs, depreciation, wages and income tax, the residual would be called 'profit' (*dobit*), which would be at the disposal of the enterprise and taxed according to purpose: 'added salaries, investment, reserve funds, etc'.¹⁶ Enterprises would provide some

¹¹ 'Konferencija za štampu druga Svetozara Vukmanovića Tempa', in *Borba*, 18 February 1953, 1

¹² Bozo Marendić, 'The Distribution of Income Generated in Manufacture in Yugoslavia under Workers' Self-Management since 1952', MPhil Thesis, University of London, 1966, 34

¹³ *ibid.*, 35-36

¹⁴ Sirc, *The Yugoslav Economy*, 18

¹⁵ Dyker, *Socialism, Development and Debt*, 31

¹⁶ Dvodnevna diskusija u Saveznom izvršnom veću: Potrebno je razraditi položaj komune i samouprave u privredi', *op.cit.*, 1-2

investment from internal funds but the bulk of investment would come from the state on the basis of 'investment auctions' to enterprises offering the highest rate of return.¹⁷ Recentralisation of banking and some fiscal autonomy on the part of local government bodies sought to give various levels of the party-state, albeit pointedly not the republics, greater power to regulate if not to direct economic life.¹⁸ Djilas appeared to speak for several members of government cited in the article by explaining: 'in regard to the development of the new economic system, the focus should be placed on the giving of ever greater freedom to the economy and taking the viewpoint towards the system of the commune [local government].'¹⁹

That claim, though, was at least superficially contradictory: regulation was growing stronger but so was the market. The reform package contained much that suggested that the centre was indeed reassuming previously devolved powers including greater capacity to intervene in the overall enterprise determination of wages. Nevertheless, the basis on which it was attempting to do so, 'as in most market economies, was fiscal policy...by the end of 1953 Yugoslav enterprises were facing a fairly familiar fiscal regime [from the market standpoint]'.²⁰ The Yugoslav Communists had thereby clearly departed from their effort to elaborate every systemic reform from the standpoint of a pre-established periodisation inherited from the USSR. Indeed, while Kidrič had argued that 'socialist commodity production' was a temporary aid to the central planner and would eventually wither away, alongside scarcity and the state, the resort to what contemporary leftists would have recognised as conventional bourgeois mechanisms of market regulation had now become an open-ended perspective.²¹

¹⁷ Horvat, *The Yugoslav Economic System*, 220-221

¹⁸ Dvodnevna diskusija u Saveznom izvršnom veću: Potrebno je razraditi položaj komune i samouprave u privredi', *ibid.*, 2

¹⁹ *ibid.*

²⁰ Dyker, *Socialism, Development and Debt*, 30

²¹ See also *ibid.*, 28-29

While apparently in contradiction with greater freedom for productive units in the system to market goods and services, the upward pull on policy clearly also aimed to facilitate a more predictable and level playing field than the AF system had created. As indicated by the title of the *Borba* article,²² elaboration of the exact place of workers' self-management and the commune in the economy remained an open question. This suggested that the scope of positive and negative freedom for the enterprise would become wider, necessitating a more sophisticated approach on the part of subjective factors in the lower echelons of the system.

Yet the state of affairs at lower levels was neither promising nor did the apex approach the tasks with a lucid and integrated strategy. The Second Plenum took place in order to correct those tendencies but they had emerged in public earlier. The dominant view in the leadership framed the debate from official rostrums as the role that local government should play in balancing between the rights and obligations of individual enterprises in relation to society. Kardelj laid this out most clearly in his address to the Fourth Congress of the Popular Front when he explained the tasks of the future organisation in relation to the struggle for the higher consciousness in gradualist, pragmatic and elitist terms worth quoting at length:

'For workers in workers' councils, peasants in agricultural cooperatives, citizens in their self-managed establishments, in the people's committees, in the residential assemblies, educational institutions, the bureaus for social security, etc, etc, to be truly able to contribute as much to society as possible, and in the process to themselves as well, and to be able to as successfully as possible put to use the material and moral means at their disposal – for that it is necessary for them to feel themselves not only free, independent in their initiative, but also responsible towards other working people, responsible to the community (*društvenoj zajednici*)....The method of work should tend towards the infusion in our social reality of moral norms and customs which would become the most powerful guidepost for the work of the individual and for the mutual relations between citizens and social organisations. At the same time, the Socialist Alliance should make it possible for working people to always, step by step, gain ever more

²² 'Two-day discussion in the Federal Economic Council: It is necessary to work out the position of the commune and self-management in the economy'

material knowledge which is necessary for individuals to properly answer current issues which life itself throws up.²³

A similar leadership response arose to debate at the Fourth Congress of the Front in Slovenia. The Committee for Questions of Social Management of the Economy witnessed many delegates recount organisational-technical issues from their own workplace. *Borba* acknowledged only a few contributions from delegates, presumably only those of which it largely approved or which drew official clarification. Thus one delegate criticised use of monopoly positions to make super profits but also argued that local councils of producers did not execute proper control of workplaces. An official responded that the Socialist Alliance viewed control and not intervention in enterprise affairs as the proper remit of local government. He pointedly added that the local councils had to take special care to balance budgets. Another delegate criticised local bureaucracy, which often attacked higher bodies for bureaucratic behaviour but in fact behaved bureaucratically towards enterprises, taking over local projects which enterprises themselves were now meant to fund, plan and execute. This comment appeared tame since it prescribed proper roles without challenging hierarchies or the remit of accepted boundaries. The Prime Minister of Slovenia intervened at this point, though, to argue that 'it is spoken too frequently about the rights of individuals, enterprises and organs of the local community, and too little about their social responsibilities' and the Deputy Prime Minister echoed him immediately afterwards. The latter was the only one who mentioned workers' self-management, though, explaining thinly that an overly technical approach to workplace problems was symptomatic of the belief that economic growth would by itself create socialist relations in the workplace, which he counter-posed to the apparent

²³ 'The Role and Tasks of the Socialist Alliance of Working People of Yugoslavia in the Struggle for Socialism: Address to the IV Congress of the NFJ', reprinted in Edvard Kardelj, *Problemi naše socijalističke izgradnje*, vol. 2, 348-349

other prominent belief that concentration on socialist relations at the expense of their relation to growth was the proper way forward.²⁴

The latter was clearly a mischaracterisation of more populist views which did indeed exist in reality, even though they were not directly reported in the *Borba* article. These emanated from trade union circles and the more radical intellectual layers of the middle and higher echelons of the Party but also the work collectives themselves. Their first clear emanation surfaced in January 1953 when the SSJ decided to conduct mass consultations on changes to the Law on Workers' Management in the Economy then being discussed. On 21 January, *Borba* carried selected reactions from the unions after consultations in some 2,000 enterprises.²⁵ The majority appeared to suggest significant changes to the way self-management functioned although there was little coherence to the different suggestions, except that they all in some way sought to rebalance the power relations in the workplace against management. Thus, the statement from the utilities workers recommended the abolition of the management board and the sovereignty of the work collective as a whole, although it appeared to confuse the work collective and the workers' council. The textile workers were less ambivalent and sought the creation of an assembly of the work collective as the highest body in the workplace, the abolition of the management board in favour of a secretariat within the workers' council, and a control committee. The Montenegrin report suggested that several views existed but most wanted either full sovereignty for the work collective or the expansion of numbers in the workers' councils. Mutually similar statements from the transport workers, the unions in Bosnia and the metal workers' union recommended that the workers' council be renamed the workers' chamber, and that it or the collective elect

²⁴ 'Kritika negativnih pojava u nekim preduzećima i organima vlasti: Rad komisija Četvrtog kongresa Socijalističkog saveza radnog naroda Slovenije' in *Borba*, 27 April 1953, 2

²⁵ 'Iz prakse radničkih saveta: Šta misle radnici i sindikalne organizacije o izmenama zakona o samoupravljanju', in *Borba*, 21 January 1953, 2, 4

the director. The leather processing workers stood out by defending the management board but duly wanted it to take over hiring and firing from the director.²⁶

Predictably, these tendencies worried the central leadership but it struggled to impose discipline. Norbert Veber argued the position of the Central Council of the SSJ in response to these views in the same issue of the paper that too many complaints centred on organisational problems.²⁷ He went on to say that the director should not be an elective position and that calls for an assembly of the workforce were impractical; referenda on important issues including the rule book, the annual plan and the wage tariff, and occasional meetings to challenge an unpopular decision of the workers' council could do just as well.²⁸ Nevertheless, he announced a meeting of the highest body of the SSJ would take place shortly to bring more agreement to the union movement, and this meeting indeed convened on 7 February.²⁹ The result could not have been satisfactory from the standpoint of the central leaders as many of the representatives of the industrial unions refused to budge from the views expressed earlier. Thus, the resolution of the meeting read that: 'it is necessary to ensure wider rights for the work collectives, i.e. that work collectives should directly, and not through their representative organs, decide on the most important issues in the enterprise.'³⁰ These included the annual production plan, the final accounts, the statute and rulebook, wage tariffs, the residual fund, on its own investments, and the ability of work collectives to negate any decision of its representative organs should the majority not approve of them.³¹ Most damagingly, the resolution continued: 'This is the preliminary stance of the Presidency, since it did not discuss the details of the mode by which the collective would exercise its rights

²⁶ *ibid.*, 4

²⁷ *ibid.*, 2

²⁸ *ibid.*, 2, 4

²⁹ AJ 117-27-2-94, 'Zapisnik br. 2 sa sednice Pretsedništva Centralnog veća Saveza sindikata Jugoslavije održane 7 februara 1953 godine.'

³⁰ *ibid.*, 1

³¹ *ibid.*, 1-2

(worker assemblies, referendum, etc) but rather believes that collectives themselves should regulate these questions, that they should themselves choose the means which best suit the character and conditions of each enterprise.³²

Yet the resolution continued in a mode almost calculated to claw back at least in part what it had conceded. By elaborating its remaining and apparently incidental or transitory conclusions in reference to existing institutions, it implied that no change in that regard was in fact envisaged. It stated that the principles which it had expounded on earlier should serve as the basis for the functioning of actually existing self-management. It accepted the argument that collectives with fewer than 100 workers should make the entire work collective the workers' council. It also accepted that only the minimum number of councillors should be stipulated for the organs of self-management (20 for the council and 7 for the managing board). The principle that the law should only lay down competencies that higher bodies could not pass downwards prevailed. Outside intervention in the firm too, according to the Presidency, would need to be curtailed by law. The workers' council would choose the director who would no longer sit on the management board. Finally, the resolution resolved to support the call for the managing board to include only members of the collective, which was a veiled statement that the director and other non-workers should not be eligible for election.³³

Behind the seeming failure to do more than restrain the apparent democratising momentum of the consultations in the text of the resolution, though, lay an insurgent and confident layer of union leaders. The discussion leading up to the resolution indicated that this cohort took seriously their new role in self-management, perhaps to compensate for the relegation in

³² *ibid.*, 2

³³ *ibid.*

these years of their previous main task in the form of labour mobilisation. Yet this was not necessarily the role assigned to them as mere educators but a still undefined role that they were actively carving out in response to the new conditions and, for some, probably with reference to their experience in the pre-war period as revolutionary unionists.³⁴ Thus, in pursuit of their ideas, already detailed in the *Borba* article and for the most part repeated without significant elaboration, the most interesting aspect was the part of the discussion relating to hiring and firing. Borko Temelkovski, the representative from the Macedonian unions and a pre-war unionist, in particular made the clearest distinction between a 'member' and a 'worker' in the collective. He explained that workers were afraid of speaking up because their livelihood depended on someone with the power to hire and fire. While seasonal workers cared less for the future of the enterprise, permanent workers who had a stake should remain members of the collective even if their work contract was terminated, according to Temelkovski. This would ensure a more assertive and involved working class.³⁵ Several speakers agreed that control over employment would need to be taken away from the director. The complication arose because directors were exposed to a press offensive and 'demoralised', so it was necessary to highlight that their proper responsibility, restricted to day-to-day business decisions, was too impractical for collectives to become engaged with and was therefore worthy of respect.³⁶ Pointedly, the central leaders steered clear of this aspect of the discussion and the resolution did not mention it. The central leaders' tone, too, was more conciliatory on the day than Veber's in the *Borba* article. Božičević, the general secretary, appeared more populist than Veber and accepted that the workers' council should

³⁴ The exact proportion of union leaders drawn from the pre-revolutionary period is unknown amid the dearth of work on the unions. Nevertheless, Sharon Zukin suggested that in the immediate post-war period, the number accounted for as many as half in the central leadership: 'The Representation of Working-Class Interests in Socialist Society: Yugoslav Labor Unions' in *Politics & Society*, June 1981, vol. 10, no. 3, 292

³⁵ AJ 117-27-2-94, 'Zapisnik sa sednice Predsedništva CV SSSJ, održane 7 februara. Početak u 9.30', 2

³⁶ *ibid.*, 6

choose the director and that political methods from below should be used to keep the director in check rather than formal intervention from the local government.³⁷

The discussion unsurprisingly evaporated slowly from public view after this point. The resolution of the Presidency appeared in the union paper *Rad* without commentary days later.³⁸ Letters and recommendations from various councils and union branches reflecting the now standard variation of stances on familiar issues continued to pour in to the union paper through February and March but disappeared after that. The campaign to change the law largely withered away after its less dangerous proposals were adopted.³⁹ *Borba* explained that the union was embroiled in discussions over the way forward with two dominant views prevailing: that the role of the unions was clear and that the role of the unions was only just evolving with the new economic system. Subtly on the side of the latter, *Borba* cited the views of ordinary workers who did not understand the new role of the unions and often regarded them as ‘semi-state’ unions, amid lock-ins to facilitate a branch meeting after work, to suggest that the union needed to find new political methods to interest workers in the problems of self-management.⁴⁰ With the unions turning inward, *Borba* appeared to take upon itself the task of enlightening work collectives about their proper role. Now the paper of the Socialist Alliance, following the Fourth Congress of the Popular Front, *Borba* was part of the agitprop complex presided over by Djilas. His close friend, the prominent intellectual Vladimir Dedijer, edited *Borba* and the paper remained unquestionably ‘at his unfettered disposal’.⁴¹ Its stance towards the organs of self-management remained populist despite the clear signal sent to the unions that their focus on workplace relations had been out of step.

³⁷ *ibid.*, 6-7

³⁸ ‘Pretsedništvo Centralnog veća SSJ o radničkom upravljanju’ in *Rad*, 10.II.1953, 4

³⁹ The director was no longer appointed by the state but local government still retained right of veto over the election. Marković, *Factories to their workers*, 134

⁴⁰ ‘Politički razgovori: Šta da rade sindikati – Nekoliko mišljenja o mestu i ulozi sindikata u Socijalističkom savezu radnog naroda i o njihovim funkcijama u preduzeću’, in *Borba*, 22 March 1953, 2

⁴¹ Clissold, *Djilas*, 223

The paper continued to bring news of expanding self-management freedoms,⁴² report on bureaucratic usurpation of the rights of work collectives or successful cases of the collectives' resistance to white collar or bureaucratic subterfuge,⁴³ and question why areas in which workers' councils had not yet been introduced still existed.⁴⁴

The effects of this on the shop floor were unclear. Economic data certainly suggested that the AF system had induced at least partial rationalisation of the workplace in that employment in manufacture and mining had risen by 5 percent while labour productivity had risen in step with wages by 6.2 percent.⁴⁵ More than that, skilled workers or Temelkovski's collective 'members' appeared to have gained in confidence in 1952 and 1953. There was evidence that wage rises tended to favour them rather than non-skilled or seasonal workers in 1952,⁴⁶ while their power to check directors also increased as witnessed by their apparent ability to ouster directors or decrease their salary.⁴⁷ That did not stop directors dominating most processes in the firm on the basis of having exclusive power over immediate financial transactions like signing checks or using technical expertise and alliances with management staff to ram through unpopular measures on the basis of their supposed necessity.⁴⁸ Nevertheless, the position of skilled workers continued to improve through 1953 as the introduction of the variable minimum wage set by qualification favoured workplaces with more skilled workers.⁴⁹ Some enterprises without skilled labour responded with attempts to artificially

⁴² 'Novi oblik samoupravljanja u velikim preduzećima', 23 April 1953, 4

⁴³ 'Posle događaja u „Žitoprometu“ – Ne: ko je kriv – Nego: gde su uzroci birokratizma?', 4 February 1953, 3; 'Narodni odbor naređuje radničkom savetu: Burna zasedanja kolektiva ciglane u Slavonskom Brodu', 19 February 1953, 5; 'Interesi pojedinaca nadvladali interese kolektiva: Kako je tekla diskusija oko spajanja dva preduzeća', 18 April 1953, 3

⁴⁴ 'Zašto komunalna preduzeća nemaju radničke savete?', 21 May 1953, 4

⁴⁵ Horvat, *The Yugoslav Economic System*, 180

⁴⁶ Ward, *From Marx to Barone*, 169

⁴⁷ *ibid.*, 156-158

⁴⁸ *ibid.*, 154

⁴⁹ *ibid.*, 174

raise skills levels,⁵⁰ while others went into receivership,⁵¹ and others still attempted to raise cash by employing workers fictively by engaging so-called 'dead brigades'.⁵² Since the abandonment of the AF system had been announced but was not to take place until the end of the year, these malpractices were certain to continue for some time and the effects of the future system remained a mystery. For the time being, the dominant wing in the leadership appealed to patience, announcing that the programme of investment in heavy industry was nearing completion, which would begin to release funds for living standards.⁵³ The press also reported throughout spring on a series of referenda in larger work collectives on annual plans which set aside more money for social projects, an obvious attempt to obviate calls for more direct forms of democracy.⁵⁴ While able to contain and channel popular enthusiasm, then, the dominant wing of the leadership could see that the populist elements in the party-state had an audience among the advanced sections of the working class. That remained a threat to the future as they saw it.

Perhaps just as worrying for the leadership, however, was the threat that populism did not come simply from tendencies within the party-state apparatus but from enterprise directors with multiplying links with the private sector. This became obvious as incidents of economic crime registered an increase in 1953, and went beyond the pilfering of enterprise property or the misuse of internal funds earmarked for internal use in order to gain advantage on the market. Instead, networks of black market trade with the private sector, false accounting to gain bank credits, and use of official positions for unofficial business mushroomed without

⁵⁰ Horvat, *The Yugoslav Economic System*, 181

⁵¹ Ward, *From Marx to Barone*, 175

⁵² Ward, 'The Firm in Illyria: Market Syndicalism', *The American Economic Review*, Vol. 48, No. 4 (Sep., 1958), 584, ff. 38

⁵³ 'Proslava pedesetogodišnjice Boriskog rudnika: Politika ključnih objekata omogućila je brzu izgradnju ali bi dalje suviše opterećivala neke grane privrede i životni standard: Na mitingu je govorio Svetozar Vukmanović-Tempo' in *Borba*, 7 May 1953, 1

⁵⁴ See Marković et al, *Factories to their Workers*, 134

serious opposition in, and sometimes tacit agreement from, the work collectives.⁵⁵ The suggestion that divisions within the workforce could be temporarily overcome by populist directors ready to deal with the enemies of the SKJ to procure goods boded ill for the Communists at a time when increasing wages encountered a still restricted consumer market. The effect was worse still as a consequence of the divisions in the ruling bureaucracy. The dominant faction in the leadership probably feared that hostile elements would use self-management as a cover for the return to private property and therefore took exception to unionist or idealistic journalist excesses.

The Elitist Response from the Plenum to the Djilas Affair

It was against this background that the Second Plenum took place in early summer. Since its contents did not reach the public, except through the resolution and the letter to the membership, historians tended to read its significance in relation to the more dramatic Third Plenum.⁵⁶ Djilas's later account of the choice of venue and his description of the event certainly served his own purpose of retrospective alienation from the dominant and domineering attitudes of those in power but certainly portrayed something of the prevailing atmosphere at the Plenum. This Plenum was the first to take place at Tito's residence on the Adriatic island of Brioni. As a gesture, this was an affront to the collective nature of the leadership but Djilas asserts that he alone complained about it.⁵⁷ Djilas, moreover, had two contrasting recollections of the setting. One emphasised the jarring impression that a gathering of ex-partisans in luxurious circumstances produced,⁵⁸ while the other likened the

⁵⁵ Milosavljević, *Država i samoupravljanje*, 244

⁵⁶ See Rusinow, *Yugoslav Experiment*, 80-87; Clissold, *Djilas*, 229-230, as well as Chapter 27. Similarly, Petranović, *Istorija Jugoslavije*, 332-356

⁵⁷ Djilas, *Rise and Fall*, 323

⁵⁸ Djilas, *The Unperfect Society: Beyond the New Class*, 21

meeting more to a 'secret conclave in a conspirator's stronghold'.⁵⁹ Both were symbolic of the shift that Djilas later perceived: the increasing estrangement and conservatism of the leadership from what he saw as the popular and populist decisions of the Sixth Congress. Tito's instruction to him to speak at the Plenum so that no one would suspect divisions in the leadership staggered Djilas, especially the 'oblique insistence that we must be in agreement'.⁶⁰ His only comment on the actual proceedings was to rue his own intervention, which he described as 'the muddled, contradictory speech of a man doing his best to please someone else without being false to himself'.⁶¹ True as this was, it was also somewhat one-sided. For the Plenum was more than a simple retrenchment. It involved subtle debates and sophisticated reformulations of the line within boundaries that Djilas was evidently beginning to question. Whether this was because of his belief that potential rapprochement with the USSR was on the cards given Stalin's death in March, and that this would halt the Yugoslav experiment,⁶² or whether he was enamoured of Western social-democracy as Tito later accused him,⁶³ Djilas certainly took his opposition ever more into the open after the Plenum. Yet precisely because he represented the exception, an examination of the debates within the rest of the leadership, hitherto unmentioned on, deserve elaboration.

The Plenum in fact showed keen if not sympathetic sensitivity to forces from below, acknowledged and aired divisions within the leadership, and sought to grapple with the novelties of the situation with a sharp understanding of the international situation. Tito's opening speech exhibited conservative attitudes in regard to social trends that sounded positively harmful to SKJ rule, like the use of 'Mr', 'Miss' or 'Mrs' in public speech.⁶⁴ It also

⁵⁹ Djilas, *Rise and Fall*, 324

⁶⁰ Djilas, *The Unperfect Society*, 21

⁶¹ *ibid.*

⁶² As argued in Clissold, *Djilas: the progress of a revolutionary*, Hounslow: Maurice Temple Smith, 1983, 230

⁶³ See Clissold, *Djilas*, 247

⁶⁴ AJ 507-II/10, 'II Plenum CK SKJ, 16-VI-1953', 2

went on to call for a purge of the Party to restore discipline.⁶⁵ Still, for Tito, the thrust was not the failure of Communists to take on the bourgeois enemy, who entered the new reality from the past through the cracks in the current system, but rather their failure to develop and improve the new decentralised system so that the enemy would not find a new audience:

‘Comrades, the question of democracy is not simply a question of whether people say this or that, whether those old elements are regrouping (and there is an element of that), but in that we carry that democracy, which in fact has its greatest basis in our economic decentralisation, correctly from the SKJ into the masses, into the ranks of the producers, the ranks of the collectives, etc. Otherwise, we will every day have increasing incidences of demonstrations breaking out in the enterprises because the surplus wage fund is taxed away, and why, because people do not understand that the factories have been given to them to be run by them, and that they will not, after thirty years, like in Roman law, become their owners. Our people still do not know, many of them at least, what the community is. There are those who understand but there are also those who do not.’⁶⁶

It was significant that Tito no longer spoke about bureaucracy but concentrated on the lack of balance between individual and general interests. Djilas was certainly correct to notice this trend and point out its inconsistency with the perspective of the withering away of the Party. Nevertheless, he appeared to misunderstand that the immediate perspective of the Congress had been the decentralisation of power and the movement from direct to indirect forms of Party control of the decentralising state. Sure enough, Tito did not assert that nothing had changed and that top-down command had to return. Rather, his argument was that the Party needed to change to facilitate reform. It needed to respond to decentralisation and democratisation but without giving up its ambition to intervene to get the results it wanted. Kardelj and Tempo, respectively delivering the political and economic report at the Plenum, elaborated on Tito’s short introduction and did not depart from it significantly.

⁶⁵ *ibid.*, 3

⁶⁶ *ibid.*, 4

Both Kardelj and Tempo concentrated on the theme of finding equilibrium between the individual and the general but both started from reformist and market principles. Seeing as the former was the main ideologue of the system and increasingly in the public eye, close treatment of his contribution would best reveal the strategic views of the inner circle around Tito. Pointedly, Kardelj argued with some reason that many of the problems facing the SKJ had roots before the Sixth Congress. This related to both conflicts and demobilisation as a consequence of a lack of clarity about how to relate the Party and the SSRNJ but also and mainly a failed response to the new economic and administrative system. The Sixth Congress had, according to Kardelj, amounted to the first concerted attempt to deal with the new situation.⁶⁷ Naturally, he admitted, it was difficult to pass from a phase of coercion to one of persuasion.⁶⁸ Yet the major problem for Kardelj was that Communists lagged behind the changes to the system: they became apolitical economic experts responding only to the interests of their enterprise, locality or indeed republic.⁶⁹ Frequently, the explanation continued, this meant that they took on a capitalist understanding of such concepts as profits without seeking to understand whether these new tendencies were being subordinated to socialist relations.⁷⁰ This explanation suggested that Kardelj was implying a new understanding of politics that placed understanding and handling of the whole economic and administrative system over simple persuasion of the masses about class struggle. He intended the problems he described to be understood as symptoms of a deeper problem, which he would reveal later but these problems were nevertheless real and needed analysis: they invited enemy activity and demobilised good Communists, leaving the mass organisations starved of political leadership.⁷¹ They also reinforced territorial-functional cocoons, which Kardelj described as that 'particularism' of which 'the republic was the beginning and end'

⁶⁷ *ibid.*, 10

⁶⁸ *ibid.*, 11-13

⁶⁹ *ibid.*, 14-15

⁷⁰ *ibid.*, 15-16

⁷¹ *ibid.*, 17

and satirised as 'socialism in one district',⁷² an obvious reference to the theory of 'socialism in one country' in the 1920s USSR.

These all represented emanations of crisis. The cause, rather, was the incompleteness of the system, and resort to administrative measures would amount to failure, a statement Tito agreed with;⁷³ nevertheless the incompleteness of the system opened the door for opportunist elements to use populist means to reinforce their own position: 'Let's say we take the issue of surplus wages. We have the phenomenon, in Split, that the future director undermines the old director [and] says this to the workers: what investments, what construction, it's wages we should give to...and that's a Communist in question...yet no one calls that Communist to account...'⁷⁴ Yet the leadership could not criticise people for protesting when its own mouthpieces exhibited a tendency to petty criticism (*kritizerstvo*).⁷⁵ The press, which too often encouraged protest, prevented the worker from fighting against a wage rise because it failed to offer the general perspective on the Yugoslav economy.⁷⁶ This was as much the result of lack of politics in the centre which failed to explain its measures as the fault of the local press allowing itself to be led by circumstance and a simplistic understanding of socialism, whereby wage rises were only to be expected.⁷⁷ Perhaps most ominously in a multinational federation, similar struggles for particular resources were developing between the republics, Kardelj warned. His words are worthy of reproduction because they also introduce remarkable *obiter dicta* in relation to the national question and the market in general:

⁷² *ibid.*, 22

⁷³ *ibid.*, 27-28

⁷⁴ *ibid.*, 28

⁷⁵ *ibid.*

⁷⁶ *ibid.*, 34

⁷⁷ *ibid.*, 34, 37

'With us, two tendencies have begun to clearly crystallise about our direction. One tendency has arisen in the more developed parts of Yugoslavia, and according to that view everything that is produced in industry is, more or less, the [ownership by] right of those who produce it, the [ownership by] right of the work collectives, to give or not to give, and that which they give is just some sort of aid to the rest of Yugoslavia. More than that, this question of aid is exaggerated, without an understanding that not only republican economies, but also the Yugoslav, and in fact the world economy, grinds things together so much that the whole world has become interdependent and that the accumulation of this or that industry is the result of a combination of factors, not just of that work collective...On the other hand, there is the other tendency that is developing in the less developed regions, and which can be reduced to the claim that the developed regions should stop and wait until the less developed catch up...which is economic nonsense, since any progress is equally Yugoslav...'⁷⁸

Kardelj's idiosyncratic depiction of the interpenetration of various productive units in the world economy and its use to appeal against particular interests, be they those of a work collective or a region, ran into its own contradiction when applied to unevenness within the Yugoslav economy. Why the supposed economic interconnectedness of the totality should in the one case dictate in favour of redistribution from the well-off but not in the other was not coherently explained. In so far as logic could be inferred, it appeared to suggest that political reasoning from the viewpoint of the Yugoslav federal apex determined what would be domestically useful from the Yugoslav standpoint in relation to the world economy. While neither intended nor conscious, such reasoning certainly appeared to dominate Yugoslav policy in the following decade.

Kardelj's conclusions presented another but more conscious and explicit constant for much of the rest of the period. It was perhaps here that he answered the implicit conundrums of where decentralisation would lead and how the SKJ should respond over the longer-term rather than in answer to immediate problems. Here he most clearly presented an elitist, technocratic and gradualist view of politics. His first point was that political struggle needed to develop, particularly in the republics, to effect change to allow a free economy:

⁷⁸ *ibid.*, 45

‘As soon as we decentralised the economy, placed it on a democratic footing, producers would [sic] begin to connect with each other from below, then they will merge with each other on the basis of interest, on the Yugoslav, middle and lower scales, but the League of Communists should be a factor which will below and above, and very much above in those institutions and organisations, fight for a real socialist line, struggle to secure a consistent socialist direction of development’.⁷⁹

He went on to argue, secondly, that Communists needed to be in the mass organisations and, thirdly,⁸⁰ that they needed to leave their offices and work more in the field, particularly in the aftermath of the election for the new Federal Assembly.⁸¹ This implied that decentralisation would require leading Communists to rotate between centre and lower echelons, though this was not explicitly stated. Fourth, Kardelj attacked the populist press and reiterated the need to ‘chase out the theory of the freedom of the press’⁸² Fifth, he reiterated again the need for republic parties to take more care about political issues.⁸³

The discussion following Kardelj’s exhaustive and meandering but unprepared speech did not add substantial novelty. Hasan Brkić, a leading member from Bosnia, probably added most colourful detail from a standpoint similar to Kardelj’s, the most notable being the mode in which electoral campaigns were exerting pressure on the system in the form of unnecessary expenditure because of populist promises by local politicians.⁸⁴ Significantly, he backed ‘administrative’ measures for criminal irregularities but also complained about workers’ councils because ‘we have some which have nothing to do with workers’ self-management’: he backed measures from above and from below.⁸⁵ Yet it was the contributions of a leading Serb politician Petar Stambolić and Djilas himself that offered contrasting reasoning for

⁷⁹ *ibid.*, 46

⁸⁰ *ibid.*

⁸¹ *ibid.*, 46-47

⁸² *ibid.*, 47

⁸³ *ibid.*, 48

⁸⁴ *ibid.*, 55

⁸⁵ *ibid.*

similar conclusions between conservative politicians and populists, which accounted in part for the fear of forces from below in the majority. Stambolić delivered a short and descriptive speech. He decried the state of affairs where 'two morals' had appeared: 'one the communist moral, the other the moral of the president or director of a trading company, who fights for income', and concluded that the previous system had engaged Communists more.⁸⁶ By contrast, Djilas appeared to think aloud and wander, adding little to what Kardelj had said. He began by saying he would raise issues Kardelj had raised with him personally but had not mentioned at the Plenum. So he bemoaned the fact that no one had discussed the effect of socialist commodity production, which made it difficult for the Party to react: 'The dinar has indeed started running all relations among people':⁸⁷ After much repetition of the need to take the general viewpoint in response to different problems, Djilas uttered an aside that probably indicated just how optimistic he was regarding the efficacy that political changes coming with the new Constitutional Law would have in changing Yugoslavia: 'I have been a bit to the West [he had just returned from Paris], I had gone there before too, I observed the Western world, they have some forms [of democracy] that are higher than ours, if you take the substance of democracy, they are above us, but if we Communists fought actively and politically, we shall overcome them in formal terms in two to three years.'⁸⁸ Unlike Kardelj or Stambolić, then, Djilas saw formal democratisation in the political sphere as the cure for the ills associated with the market and spoke in abstract terms: 'I will dwell on the question of republican localism...All these things are the results of some objective and economic processes...our socialist consciousness has submitted to economic socialist anarchy...We speak much about the commune but not of Yugoslavia as a commune...comrades should fight against republicanism and for internationalism.'⁸⁹

⁸⁶ *ibid.*, 52

⁸⁷ *ibid.*, 74

⁸⁸ *ibid.*, 80

⁸⁹ *ibid.*, 82

In the economic discussion, however, several speakers appeared rather more open to what the market could offer and how to master it than they were about its undermining effects. Tempo at one point explicitly referred to the formulations of Stambolić and Djilas in relation to competition between Yugoslav exporters. Berating 'bureaucratic' understandings of trade, Tempo asserted: 'They don't see one thing, that the system as a whole has brought about the fact that the enterprises are indeed dead serious [*krvno zainteresovana*] about exporting and getting something out of it, and are preparing themselves well, and for me, what Stambolić and Djilas said about the phenomenon of the business morality, that's the negative side, we should be hard [*treba tući*] in that regard, but there is something positive there too, or I've become economically oriented.'⁹⁰ Similar statements would be heard and would cause irate outbursts in the discussion after Tempo finished his address, showing that the market turn still caused substantial anxiety. Tempo himself, though, exhibited deeper commitment to market mechanisms than was obvious simply from his defence of export-oriented companies.

This was apparent less at the level of substantive points raised than the benchmarks used for success. Indeed, Tempo gave an accounting for the preceding period of economic development which brought to light little except that, on unreleased figures, the first half of 1953 had finally brought industrial growth for the first year since 1949.⁹¹ He defended the overrepresentation of Slovenia and Bosnia in distribution of investment by reference to geopolitical pressures from the East, and explained the overrepresentation of heavy industry in investment for the same reason. Nevertheless, his attempt to explain that growth was actually greater than on first appearances rested on comparisons of world prices for domestic products, specifically the claim that Yugoslav agricultural prices were artificially low but

⁹⁰ *ibid.*, 107

⁹¹ *ibid.*, 103

would massively raise Yugoslav GDP if calculated on world prices. Tempo used this to suggest that domestic unevenness was complicated by political factors and needed to be viewed from the Yugoslav ambition to develop fast in relation to the world economy.⁹² Tempo expounded on a growth path that still remained wedded to import substitution. He admitted that the centralised fund had not worked and argued that bank credits on a commercial basis would bring about a sounder basis for growth. Cuts to administrative costs would result, which would enable the state to fund agriculture as a mode of lessening dependence on Western credits.⁹³ All the same, growth depended not just on quantity of investment but its structure. Here, the Yugoslavs were beginning to have new problems as parasitism on the part of lower units in the system was developing at the expense of the centre, whereby investment intended for a priority projects would be deviated for expansion of local plant. The locality calculated that the Federation would still find resources to complete its priority later while the locality could in the meanwhile raise its own capacities as it saw fit. This led to an unfavourable investment structure in comparison with Western countries, since the Yugoslavs duplicated capacities instead of finishing key investment projects. That in turn, Tempo intimated, would necessitate temporary administrative methods in order to ensure a more balanced basis for growth as investment projects needed to be finished in that year.⁹⁴

His proposals for the future were for the most part hardly new: decreases and rationalisation of the public expenditure,⁹⁵ abandonment of certain social welfare provisions to the locality and the enterprise itself in order to force their own internal rationalisation,⁹⁶ initiation of joint

⁹² *ibid.*, 89-92

⁹³ *ibid.*, 92-95

⁹⁴ *ibid.*, 95-99

⁹⁵ *ibid.*, 100

⁹⁶ *ibid.*, 101-104

social projects between enterprises and local authorities to soak up unemployment,⁹⁷ tightening credits since more and more investment would come 'from below',⁹⁸ and the creation of reserves and a politics of prices against agriculture to retain the state's primacy over the private sector.⁹⁹ The outstanding question was the balance of payments deficit. While Tempo admitted that the deficit could only be expected to widen in the short-term, in view of unfavourable changes to Yugoslav imports and exports,¹⁰⁰ the key to the future was a departure from the inherited pre-war 'understanding that Yugoslavia is a backward country, semi-colonial' but that 'we are coming out of colonial backwardness'.¹⁰¹ Instead of importing raw materials in addition to capital goods from the West, the solution to the problem would be a long-term orientation towards import of raw materials from Asia and Latin America and export of industrial goods in return.¹⁰² An orientation towards an export industry in the undefined future therefore created a deep duality in Yugoslav political economy in following years, between the continued ambition to reduce imports from the West and increase exports to the nascent Third World. The former process induced protectionist measures and irrational prices of domestic inputs from the standpoint of the world economy, while it also effectively transferred value out of the country since export companies benefited from state subventions. On the other hand, the cost of imports of raw materials in fact adjusted to domestic monopoly prices, fuelling instead of easing inflation.¹⁰³

The debates following Tempo's speech, however, rarely touched on the balance of payments, suggesting that immediate problems and the nature of the transition domestically troubled some leaders more than issues whose full implications would only be known later. An

⁹⁷ *ibid.*, 104

⁹⁸ *ibid.*, 103

⁹⁹ *ibid.*, 109-112

¹⁰⁰ *ibid.*, 108

¹⁰¹ *ibid.*

¹⁰² *ibid.*, 108-109

¹⁰³ Bićanić, *Economic Policy*, 162-163

implicit exchange from predictable quarters did suggest that the issue was live but not in the open. Thus, the first speaker after Tempo, Ivan Maček from developed Slovenia, questioned criteria by which projects became key from the federal perspective and complained about the complex system of foreign trade coefficients, which acted as 'an undeveloped system of customs duties',¹⁰⁴ arguing that coefficients were being set too low, giving exporters little incentive to rationalise production but also having unintended consequences on the home market. He gave the example of trade coefficients for cherries which fetched peasants a better deal than they did either the state, which in effect subsidised the sale, or the economy which subsequently suffered from inflation.¹⁰⁵ By contrast, the Bosnian government official Osman Karabegović, whose less developed republic benefited most from arms spending, responded indirectly: 'We have discussed the question of exports. There are always discussions among us whether we should let foreign currency freely on our market, whether we should abolish the tax etc. But, in regard to all that we should be careful to extract for the army, to secure our community with everything that it needs, etc...there are those who say we should abolish the tax because it is an administrative lever. But if we did that we would bring into question that which benefits Yugoslavia, that for which it [the federal centre] is responsible: the Army, nutrition for the country, debts, etc.'¹⁰⁶ While Maček was clearly not arguing for either position, the difference in emphasis in their presentations of the problem could hardly have suggested anything but a debate on how export-oriented Yugoslavia should become in the near future. That the more representative of the most developed republic was arguing in favour of greater stimulation of exports, while the representative of a developing republic dependent on federal redistribution for defence represented the case against liberalisation of foreign trade was suggestive of future alignments.

¹⁰⁴ *ibid.*, 161

¹⁰⁵ 'II Plenum CK SKJ, 16-VI-1953', 115-116

¹⁰⁶ *ibid.*, 24

Yet it was no more than suggestive because in both speeches, these questions had been side issues. They received no comment except that Tempo later argued in his summing up against Karabegović asserting that taxes were indeed 'administrative' and arose because of conditions of scarcity, so the political decision needed to be taken in the Central Committee whether Yugoslavia would import for heavy industry, the army or nutrition.¹⁰⁷ By contrast, Tempo agreed with Maček but appealed for realism: 'Last year, there were loud complaints from comrade Maček that coefficients were too low. We have done everything to raise coefficients, to fulfil [the plan for] exports. Is that not true? I agree now too, we pursued the policy that, even if there was disorder on the domestic market because of high coefficients, because of high stimulus of exports, we maintain this line precisely because we want to force industrial exports. I have quoted statistics and shown...how much [agriculture] has lost for us in the last four months. We are talking of 104 million dollars. But had we not forced it, we would have paid even more.'¹⁰⁸ Thus, the reformist policy-makers were certainly looking for recalibration but felt that it had to be slow in response to circumstances. Visibly, there was need also to conciliate different interests that were often both mutually reliant and in tension. It was illustrative and ironic that another Slovene delegate argued in favour of a federal politics of redistribution towards poorer areas on the border, in this case with Austria, lest their poverty weaken Yugoslavia's geopolitical position.¹⁰⁹

Exchanges on domestic affairs in fact provoked greater passions and demanded more coherent exposition. Two sets of debate best showed that the reformist wing of the leadership was careful to distinguish between two levels of market leanings: when they occurred at the top, on the level of policy, it tolerated them against partisans of apparatus politics and populism; when they occurred among the lower echelons as an emanation of populism using

¹⁰⁷ *ibid.*, 161

¹⁰⁸ *ibid.*, 162

¹⁰⁹ *ibid.*, 117-120

the market, it felt the need to draw clear boundaries. Thus, no one took on the more reformist and technocratic federal minister Jakov Blažević when he used pro-market metaphors in debate with the more conservative Karabegović. This was because Karabegović reminded all those present that there were divisions among economic policy-makers and was vociferous about technocrats who tricked Party cadres to allow the squeeze on the living standard to continue: 'We cannot any longer argue what we used to argue, that there had been a war, that the country had been devastated etc. The masses feel immediately when the prices of food or a consumer product change...That is why I believe we need to be much more careful, that we shall succeed only when we actually adopt a single line on issues, and in that regard conduct a united campaign.'¹¹⁰ He continued that frequently resources went missing not because of resistance from below but because of lack of effective measures from the centre: 'I think the situation is not just that taxes were not collected. Here too there were different opinions. We put this one hundred times at meetings. Once again, the question is about Yugoslavia, a single Yugoslav market, about getting goods from the peasant, but it is a fact that we did not act in unison and that there was no common viewpoint.'¹¹¹ While not straightforwardly populist, Karabegović's line emphasised centralism over decentralisation, political unity over development of the market system.

Blažević intervened immediately after Karabegović, and raised the issue of the 'vulgarisation' of the question of funds for wages that led to the 'anarchy [*stihija*] whipped up around the question of living standards' on the part of individuals and 'whole work collectives'.¹¹² Like Tempo, Blažević identified this elemental spontaneity [*stihija*] as simultaneously both potentially dangerous and potentially useful, and he talked of using it as

¹¹⁰ *ibid.*, 126

¹¹¹ *ibid.*, 127

¹¹² *ibid.*, 130

a 'dynamo' [*pogonska snaga*] for things 'we want to achieve'.¹¹³ He then went on to argue that the SKJ had gone 'too far in its understanding of decentralisation and self-management in the sense that there is no need for some state organ...to show what is fictive and what is not.'¹¹⁴ In this context, he chose to speak in technical terms in contrast with what he somewhat patronisingly represented as Karabegović's emotive rhetoric, reproaching him for his very 'comfortable' understanding of the situation, even though he said he knew Karabegović's 'heart ached as do all our [hearts]' over the evasion of tax.¹¹⁵ Furthermore, while he spoke of the need for a strict new tax control body and for renewed agricultural collections at fixed prices, he ridiculed the practice of promulgating laws needing further regulations which remained 'in the drawer', a classic metaphor for bureaucracy, instead of setting the system such that the state sector would use economic methods to stimulate and outcompete the private sector.¹¹⁶ Signalling that this was only a portion of what he had to say, he suggested he would pursue matters with Tempo in other forums.

The next exchange developed over setting boundaries for lower echelons in the system. It involved several more participants and arose when Kardelj intervened a second time to underline that politics was not primary in the old sense but that the focus now was on developing the new system, since practiciness would lead to the return of the politics of the administrative era.¹¹⁷ To dramatic effect, Kardelj then brought up cases of factories leasing land, equipment and seeds to peasants to create reserve inputs for their production plans.¹¹⁸ Tito was horrified and made the representatives of the republics in question justify such

¹¹³ *ibid.*, 130-131

¹¹⁴ *ibid.*

¹¹⁵ *ibid.*

¹¹⁶ *ibid.*, 132-133

¹¹⁷ *ibid.*, 138

¹¹⁸ *ibid.*, 139

activity on their territory.¹¹⁹ Yet the episode did not end there. Indeed, when Josip Cazi, one of the leading members of the SSJ, took the floor at the Second Plenum, he joked: 'I would like to discuss those bits of the speeches by Kardelj and Tempo which, actually, did not even mention the trade unions. From this, it can be concluded that communists working in the trade unions are doing well. (Laughter).'¹²⁰ Cazi managed to turn the humorous interlude into another altercation that drew Tito's wrath. The thrust of his report was that there was not enough communication between government and the unions, as when Karabegović had denied planning tax rises but days later presided over a tax rise on enterprises without admitting that its purpose was to tax surplus wages. That left the union with the task of explaining the situation to angry workers. Overall, though, Cazi argued that the situation from below had improved and he ended by noting that those episodes of factories employing capital and labour in the countryside reflected the positive side of the business moral that came with the new economic system: collectives were interested in the success of their enterprise.¹²¹

The response was swift. The next speaker, an economic policy-maker from Vojvodina, Jovan Veselinov, began with an irate response to Cazi. He used the case to underline the need for politics to keep all the negative side-effects of the market under control, pointing out that he was not disagreeing with Kardelj about the need to understand that the development of the system was the perspective. He could not conclude without returning to Cazi's softness on 'wage slavery'.¹²² Tito then waded in to ask Cazi how he could defend the indefensible: the return of wage labour. Cazi said he had been misunderstood but Veselinov retorted that 'comrade Cazi does not know what is going on here, only comrades working in the economy

¹¹⁹ *ibid.*, 140

¹²⁰ *ibid.*, 140

¹²¹ *ibid.*, 140-145

¹²² *ibid.*, 145-150

do'.¹²³ After a brief detour into whether the new system was the new basis for nationalism or whether old elements used it to strike back against their loss of privileges, respectively the views of Djilas and Tito,¹²⁴ Tito once more took the floor to rebuke Cazi and argue that role of the trade unions was to defend the system that had abolished wage labour not defend such practices which had 'revolted not just me but the others sitting here'.¹²⁵ Tito added that the whole point of the new wage system was to abolish such a *non sequitur* as the surplus wage fund by introducing the concept of enterprise profit that could be taxed away.¹²⁶ The distinction was important since it touched the heart of the matter: the fruits of labour under socialism went to those who toiled. The leadership appeared very much moved to make this clear and that can only be understood as a result of the entire preceding period. It was on this note of warning that the Plenum ended.

The SKJ leadership went on to the offensive within the Party after the Plenum. The letter sent to all Party organisations attacked two extreme mistakes: 'first...that the role of Communists is now reduced to holding lectures...second...that nothing has changed in the method and way of work after the Sixth Congress.'¹²⁷ The emphasis, however, was clearly on the appearance of widespread 'petty-bourgeois-anarchist ideas of freedom and democracy' while 'the struggle for ideological and political unity is weak'.¹²⁸ To reinforce the point, the leadership embarked on a six-month purge, with the number of expelled members for the year totalling 72,067, which left the membership at 730,011 at the end of the year from an original 779,382 at the time of the Plenum.¹²⁹ This process did not gain much public attention, though, as

¹²³ *ibid.*, 151

¹²⁴ *ibid.*, 151-152

¹²⁵ *ibid.*, 155-156

¹²⁶ *ibid.*, 155

¹²⁷ Quoted in Rusinow, *Yugoslav Experiment*, 81-82

¹²⁸ *ibid.*

¹²⁹ Hoffman and Neal, *Yugoslavia and the New Communism*, 185

foreign policy issues surrounding the Trieste crisis and the elections in November took priority.

The subsequent six-month period eclipsed the Plenum but not the alignments that had crystallised around it. These in fact substantially shaped the events that followed, then and at least until 1958. The elitist, technocratic, decentralising and gradualist market reform coalition henceforth moved with considerable care to recalibrate the system and regain control of events but also to ensure that the leadership remained united. It avoided frontal showdowns and acted decisively only when opposition came into the open. This was in fact what occurred with Djilas. He accelerated his radicalism precisely when it had been made clear that boundaries to reform had to exist given the fragile state of the economy and the implications for SKJ rule. The availability of archival evidence relating to party-state forums has not changed fundamentally the story of Djilas's downfall. His own account suggested that immediately after the Plenum he had decided to go against the line and that he had told Kardelj so while on a fishing trip.¹³⁰ Whatever his own motivations for this decision, and it was evident he was often himself confused about where he wanted to take his individual rebellion, the responses of his comrades warrant more attention than they have received in the historiography, for they were not merely 'that hard core of Party functionaries and militants who in no case wanted to give up their power.'¹³¹

The most striking aspect of the clash developing between Djilas and the leadership was in fact its tolerance of his ever more evident opposition. He had already raised some of his ideas at the Plenum but he took them further in a series of articles in *Borba* in the autumn. Djilas 'seemed to be thinking aloud – thinking thoughts that were generally stimulating, often

¹³⁰ Clissold, *Djilas*, 230

¹³¹ Hoffman and Neal, *Yugoslavia and the New Communism*, 186

obscure, and sometimes, to Orthodox Marxists, smacking dangerously of heresy'.¹³² Nevertheless, his articles until December had not contained anything that was not formally the Party line or that he had not already said at the Plenum. Yet it was his emphasis that showed an intensifying radicalism: he asserted in substance that the bourgeoisie was a weaker enemy to socialist democracy than bureaucracy.¹³³ After having consulted Tito and received minor criticism, Djilas decided to sharpen the criticism, according to his own account in early December.¹³⁴ On the 20th December, Djilas went so far as to attack the monopoly of the Party itself: 'No one Party, not even a single class, can be the exclusive expression of the objective imperatives of contemporary society.'¹³⁵ Realising that he was now past the point of no return, Djilas recounts that he sounded out Tito's other close collaborators, who together with Djilas and Tito had represented the inner leadership: Kardelj and Ranković. Both made it clear that they did not agree with him.¹³⁶ Yet the Third Plenum did not come until several weeks later in mid-January.¹³⁷

Djilas's own account of this period, taken up by most historians as a basis for their accounts, focused largely on leading personalities but did not discuss wider forces. Indeed, this had marked a qualitative transformation whereby Djilas had started viewing individuals and not classes as the motivating subject of history. More than that, though, Djilas presented himself as an individual rebel in his memoirs. This was undoubtedly true but his activities suggested tension between sincere desire to push for freedom of discussion in the leadership and premeditated attempts to organise a faction. Namely, days after writing his open attack on the role of the Party, Djilas attended a closed meeting of the SSRNJ Presidency to assess the

¹³² Clissold, *Djilas*, 231

¹³³ *ibid.*, 232-234

¹³⁴ *ibid.*, 235

¹³⁵ Quoted in *ibid.*, 236

¹³⁶ *ibid.*, 237-238

¹³⁷ *ibid.*, 246

impact of the elections. He did not take part in the discussion until Kardelj's summing up. Thereto, the Presidency had discussed with some satisfaction the conduct and results of the elections, despite minor problems and the undervaluation of the election for the Council of Producers, concluding that they had enhanced popular participation in government and raised self-confidence against bureaucratised local leaderships.¹³⁸ Most speakers had also noted that the October crisis around Trieste had energised until then dull campaigns, suggesting that patriotism had silenced enemies.¹³⁹ Kardelj in his conclusions tried to downplay the Trieste issue somewhat but ran into Djilas's asides:

'I think it is true what comrade Brkić said, that people voted for socialist democracy, that they voted for economic freedom, for the freedom of economic action, and they voted, clearly, for our foreign policy. But these first two moments were, in my opinion, the most important. /Milovan Djilas: The foreign [policy] is undeniable./ That is the patriotism that means a lot for the peasant without regard for his attitude to the Government, the character of the regime, whether he likes it or not. /Djilas: Even the bourgeoisie is partially for our foreign policy./ That is clearly what our citizen has voted for in these elections and both consciously and actively. That was obvious from the voters' conferences where people spoke and took sides, where old political categories had disappeared, I don't know, Communists, socialists, former democrats and radicals, where people already started thinking and deciding in new categories...our successes are not that which we have achieved...but what the masses expect us to achieve.'¹⁴⁰

The exchange was exceptionally subtle. Djilas appeared to be suggesting, as in his Plenum intervention and articles, that the old order had been defeated and that cross-class or post-class alliances could form around progressive policies. Kardelj by contrast purposefully distinguished between different classes but also distinguished politics from class. His fixation on the system was unquestionably reformist and perhaps exaggeratedly so given that the pragmatism of the government's populist use of the Trieste issue for electoral purposes. It was plausible that Djilas might not have picked up on the subtleties of Kardelj's negative

¹³⁸ AJ 142, Fond SSRNJ, 15, 'Stenografske beleške sa sednice Pretsedništva Saveznog odbora Socijalističkog saveza radnog naroda Jugoslavije, održane 23 decembra 1953 godine.', 1-12, 15-16, 27-28

¹³⁹ *ibid.*, 16, 26, 29

¹⁴⁰ *Ibid.*, 38

responses or that Kardelj did not take seriously the possibility that Djilas intended his subtleties. Both were unlikely, though.

By all accounts, at a closed meeting of the Executive Committee, undated but evidently held days before the Third Plenum which ejected Djilas from the leadership in mid-January 1954, Djilas had consciously acted to build a faction in the Party. There was no clear agreement when he had started but leaders among themselves alleged a matter of months at least. Tito basically argued that 'around him [Djilas] have gathered petty bourgeois intellectuals, students, for he has...passed on to a position against the working class, into petty-bourgeois anarchism, he does not even mention the working class.'¹⁴¹ Kardelj recounted the various episodes in which leading Communists, both inside the Executive Committee and in Agitprop work, had warned over preceding months Djilas that he was ignoring the working class and the conscious work of subjective forces like the SKJ.¹⁴² Several speakers accused Djilas of openly trying to build a following through the journals and newspapers he controlled or in personal chats behind people's backs. His close friend Tempo said Djilas had openly solicited him in recent times,¹⁴³ Koliševski thought Djilas had formed supporters in Macedonia and had misused his high office to publish articles and gauge a reaction in the Party,¹⁴⁴ and Ranković agreed, explaining that Djilas had not taken an administrative role following the Sixth Congress but '[h]e sat at home. I cannot prise myself away from the impression that he was systematically working to win people to his ideas, he used the incredible busyness of people around the elections, the economic system and threw those things in the public domain. He was pushing three articles a week and had four in N[ova] Misao...From CG [Montenegro] district and city committees inform us that they received a letter from Djido

¹⁴¹ AJ 507-III/61a, 'Sednica izvršnog komiteta SKJ', 1

¹⁴² *ibid.*, 1-2

¹⁴³ *ibid.*, 3

¹⁴⁴ *ibid.*, 6

[Djilas's nickname] telling them to subscribe to NM [Nova Misao].¹⁴⁵ It was in *Nova Misao* that Djilas had published his well-known 'Anatomy of a Moral' which attacked the life-style of the Communist elite in shades foreshadowing his later classic *The New Class* and which drew invective from the Third Plenum.¹⁴⁶ Djilas had apparently refused advice given him by Kardelj and Ranković about his articles and got his colleagues to solicit articles from prominent Communists with open factional intent.¹⁴⁷ The general conclusion appeared to be that, while remote since the Congress, he had become ever more conscious and active in the second half of 1953. More than that, the class basis of his position was certainly not among old Communists or workers.¹⁴⁸

Days later, Djilas met his end at the top, accused of revisionism at the Third Plenum. Since the materials of proceedings were immediately published, historians have frequently centred on the proceedings at the Plenum as much as on Djilas's memoirs and published materials to explain the preceding set of events and the alleged subsequent cooling of political reform inside the SKJ. The Plenum lasted two days. On the first day, Kardelj accused Djilas of a 'melange of Bernsteinism, mysticism, existentialism, liberalism and bourgeois anarchy.'¹⁴⁹ Djilas put up a spirited defence asserting that he thought the Party 'was the main obstacle in the way of democratic and socialist development'.¹⁵⁰ Only his ex-wife Mitra Mitrović and his friend Dedijer defended Djilas but neither on grounds of defending his views.¹⁵¹ The rest of the leadership washed their hands of him if they had had connections beforehand. Kardelj in private offered him clemency on the second day, explaining that Tito considered the matter

¹⁴⁵ *ibid.*, 7-8

¹⁴⁶ See Clissold, *Djilas*, 244. Moša Pijade referred to the piece as 'political pornography' at the Plenum. *ibid.*, 246

¹⁴⁷ 'Sednica izvršnog komiteta SKJ', 9

¹⁴⁸ Asserted by several speakers. *ibid.*, 7

¹⁴⁹ Hoffman and Neal, *Yugoslavia and the New Communism*, 194

¹⁵⁰ Cited in *ibid.*, 195

¹⁵¹ Clissold, *Djilas*, 252-253

closed but that his case would be viewed with more leniency in six months' time, and Djilas caved in, accepting that his views had been in contradiction with those of the Party and wrong. Djilas was duly expelled from the Central Committee and given a 'final warning' by the Party. Tito explained that Yugoslavia would continue to pursue its own variant of socialist democracy, bowing to neither East nor West, and as if to symbolise it, Djilas was spared Eastern bloc treatment but also denied political prominence.¹⁵² A purge of 'Djilasites' followed the Plenum, while more than 32,000 members left the Party of their own accord.¹⁵³

The impact of events in 1953 on the ensuing development of the self-management system was central. Most of the changes had in large part already been announced before the Second and long before the Third Plenum. They had arisen to real problems in the system and the perceived dangers of populism on the shop-floor in relation to the stability of the SKJ. This became clear at the Second Plenum. The Djilas case that arose in the aftermath of this turn of events arose out of Djilas's departure from the cannon but did not signify the result of a significant or principle departure from the reform path taken before the Sixth Congress. The Djilas case certainly contributed to the strengthening of political conservatism in the SKJ after January 1954. The Party had problems recruiting intellectuals and youth for more than two years after the affair.¹⁵⁴ Famously, a future Praxis philosopher recounts that, as a student, he chose to express opposition by gathering a group and cheering Djilas after the Plenum.¹⁵⁵ All the same, the demobilisation of the Party had started before the Djilas affair and continued, such that in spring of 1956, the Party again discussed similar problems to those at the Second Plenum.¹⁵⁶ Indeed, the Party continued to view populism as its main enemy throughout 1954-1956. With Djilas having chosen to capitulate on the potential role of leader

¹⁵² *ibid.*, 253-256

¹⁵³ Hoffman and Neal, *Yugoslavia and the New Communism*, 196

¹⁵⁴ *ibid.*, 196-199

¹⁵⁵ Predrag Marković, *Beograd između Istoka i Zapada 1948-1965*, Službeni list, Beograd, 1996, 62

¹⁵⁶ Hoffman and Neal, *Yugoslavia and the New Communism*, 199-203

of such a movement in favour of a more radical democratic and liberal direction, the market reformers turned their attention to the trade unions. The first Politburo meeting after the Third Plenum argued that the next Plenum should deal with a further reorganisation of the SKJ but that the one after should deal with the role of the SSJ. It was thus that a tug of war started over influence on the shop-floor between the higher echelons of the party-state, the lower echelons and the workers themselves.

Part II – Self-Management, Wages and the Hungarian Scenario: 1954-1956

As chief representative of the reform wing of the leadership, Kardelj identified precisely the wage system as the main cause for the stagnation of self-management and the arena of struggle for higher productivity of labour in the Federal Assembly in late 1956.¹⁵⁷ While it would take a further year after Kardelj's speech for the profit-sharing system to be dropped in favour of income sharing, which would force workers to set wage rates in anticipation of enterprise income rather than after the annual accounts had been settled and taxes deducted,¹⁵⁸ it was significant that the blame in the malfunction of the system had radically shifted again from the 'particularism' of which 'the republic was the beginning and end', in 1953,¹⁵⁹ to the 'bureaucratic-administrative method of running the economy' from the centre, by 1956.¹⁶⁰ The transformation was not due simply to inter-elite swings between different policy choices, more market or more regulation, but amounted in part to very real pressures from below that forced changes in the thinking of leading Communists. The Hungarian Revolution in particular shocked the Yugoslav leaders. Falling living standards in the mid-

¹⁵⁷ Stenografske beleške Narodne skupštine FNRJ, Sednica od 7. Decembra 1956.

¹⁵⁸ Bićanić, *Economic Policy*, 107-115

¹⁵⁹ As Kardelj himself had put it at the Second Plenum, *op.cit.*, 22

¹⁶⁰ See again: *Stenografske beleške Narodne skupštine FNRJ*, Sednica od 7. Decembra 1956.

1950s reinforced anew levelling tendencies among workers, both skilled and unskilled, and once again threatened open revolt on the shop-floor when the regime tried to up the pace without commensurate reward. This pulled the lower echelons of the party-state and meant that no solution that did not make major concessions to popular opinion would suffice. Meanwhile, the leadership saw levelling as a major brake on increasing productivity of labour which it ever more explicitly tied to the country's position in the world economy. The end of U.S. aid in grants and its continuation on the basis of loans also acted as a spur towards market solutions. Popular approval of non-alignment rather than closer relations with the USSR probably reinforced the turn as well.

An influential economist of the times explained that in the mid-1950s, the preoccupation over wage policy 'was to stimulate the productivity of labour and to prevent further increases in employment, which were encouraged by the way the profit-sharing system operated in practice. The profit-sharing system was altered to a greater or lesser extent every year in a game of hide-and-seek between the Federal Government, the local authorities, the workers' councils and the workers themselves, all competing for better gains from the profit-sharing legislation'.¹⁶¹ Namely, workers' wages continued to be divided in two: a fixed and variable rate. The latter derived from the profits of the enterprise, after tax. At first, the share would be decided by the district social plan but the federal government soon fixed maximum and minimum rates as percentages of the basic wage-fund. The basic approach of the Federal Government was to take the bulk of profits and to then 'play the arbiter for the rest between the competitors, protecting the workers' share from the district authority, and strengthening the funds of the enterprise against the claims of the workers for bigger shares'.¹⁶²

¹⁶¹ Bićanić, *Economic Policy*, 107

¹⁶² *ibid.*, 105

The various schemes all contained significant flaws which frustrated all the actors. In 1954, government still fixed wages centrally according to classification by skill and an aggregate wage fund. This meant that wage rises for any category of worker would have to apply to all other categories of workers. Since skilled labour was short, the system in practice forced enterprises to raise their wages, which it did by employing unnecessarily more unskilled workers.¹⁶³ The system therefore changed in 1955 in an attempt to strengthen the position of the more skilled categories. Wages would now be determined by a wage tariff decided on by the enterprises themselves, after an internal procedure of consultations, and obligatory verification on the part of the local trade union and local government authority.¹⁶⁴ The workers' share gradually rose from 4.8 percent of net profits in 1954 to 9.2 percent in 1957, usually amounting to 'the thirteenth pay cheque'.¹⁶⁵ The government meanwhile retained 50 percent of net revenue, after deduction of tax.¹⁶⁶ It expected the unions to transmit production plans and fight for the general interest against particularism, to advise workers' councils and keep wages down.¹⁶⁷

The development of the wage system, however, only partially encouraged the practices that the government hoped to foster. Its successes registered important economic and political gains for the SKJ. The allocation of profits in 1954-1956 on the basis of 'the results of a trade union survey of 101 enterprises from various economic sectors suggests that despite the low standard of living, enterprises nonetheless chose to spend a good portion of these funds on investment in fixed and working capital rather than distributing them back as wages'.¹⁶⁸ Moreover, content analyses of workers' councils minutes in seven industrial firms in the

¹⁶³ *ibid.*, 106

¹⁶⁴ *ibid.*, 106

¹⁶⁵ *ibid.*

¹⁶⁶ *ibid.*

¹⁶⁷ *ibid.*, 106-107

¹⁶⁸ Commisso, *Workers' Control Under Plan and Market*, 58

period 1950-1960 revealed that 'the issues workers' councils devoted the most time to were by and large those connected with "rationalising production": determining product mixes, setting plan targets, modernizing both the technology and the organisation of work, and so on.'¹⁶⁹ It also appeared that the concept of the 'collective' was gaining despite the higher incidence of 'peasants workers', according to a researcher who, 'in a cross-republic study of over 5,000 workers, found that workers of all skill levels were far more willing to "struggle against inadequacies and negative phenomena" in their enterprises than in local government.'¹⁷⁰

These moves in the direction of the guided independence that the market reform coalition had embarked on in 1952-1953 encountered massive obstacles. The first was that the imbalance between town and country exhibited in the earlier period 1948-1953 returned with economic growth. Just in 1954, industrial employment increased by 13 percent.¹⁷¹ Through the 1950s, employment in industry doubled.¹⁷² Meanwhile, agricultural production did not reach pre-war levels until 1957.¹⁷³ Thus it was most likely that personal consumption did not outstrip that of interwar Yugoslavia until 1960.¹⁷⁴ This meant that changes to wage structure did little to entice productivity increases, which remained moderately below world levels despite the country reaching one of the highest growth rates in the world at the time, even according to reworked statistics in a study critical of official growth claims.¹⁷⁵

¹⁶⁹ *ibid.*, 60, citing Živan Tanić, 'Neke tendencije u dosadašnjem radu radničkih saveta,' *Sociologija* 2 (February 1961), 101-112

¹⁷⁰ *Ibid.*, 62, citing Miloš Ilić, 'Radnička klasa Jugoslavije i globalno jugoslovensko društvo' in *Socijalna struktura i pokretljivost*, ed. Ilić, 100

¹⁷¹ Horvat, *The Yugoslav Economic System*, 180

¹⁷² Dyker, *Yugoslavia: Socialism, Development and Debt*, 44

¹⁷³ See Hoffman and Neal, *Yugoslavia and the New Communism*, Chapter 15

¹⁷⁴ Sirc, *The Yugoslav Economy*, 51

¹⁷⁵ Dyker, *Yugoslavia: Socialism, Development and Debt*, 45-46. For growth statistics, see Moore, *Growth with Self-Management*

The social situation became critical in the mid-1950s, though, as shown by internal evidence drawn up for the Organisational-Political Secretariat of the Central Committee of the SKJ in the aftermath of the Hungarian events in 1956. The reports and discussion around it painted a bleak picture of the situation on the shop-floor that had little resemblance to the proclaimed goals of the successive wage systems. The conclusions were indeed dramatic:

‘The material basis for the increase in personal consumption has been in recent years structurally unfavourable and one-sided, since it depended almost exclusively on increased funds of industrial commodities. In these relations, demand on the market has not formed, rather the opposite: the demand for food is greater but weaker for industrial goods. Therefore, with the overall rise in prices, the rise in the price of food has been three times greater than the price of industrial goods...In the course of 1953 and 1954, the standard in certain categories rose pretty evenly, in fact the rise in the standards of workers and employees in the city has been faster than that of rural households. However in 1955 there is a major change in these relations...the standard in the city has fallen by about 6-7 percent, while in the village it has grown around 10 percent. In 1956 [despite a rise in wages]...it is...visible that living standards in the bigger cities and industrial centres have deteriorated in respect to...1955.’¹⁷⁶

This led to open popular dissatisfaction, which in turn had a demobilising effect on the lower echelons of the party-state, once again posing the question of power in the minds of leading Communists. All the republics registered various social and political problems: each experienced a fall in consumption, underpayment appeared in Serbia and Macedonia, Macedonia and Montenegro saw unemployment rise substantially such that unemployment welfare could not be paid out in certain localities, and housing became critical.¹⁷⁷ The wage system came under criticism for not being stimulating enough for skilled and highly skilled workers leading to the setting of low norms and widespread economic crime.¹⁷⁸ The same report went on to say that all the republics described a state in which activists avoided discussing living standards in public forums, ‘especially in the unions, at voters’ assemblies,

¹⁷⁶ AJ 507-V/IX, ‘Informacija o problemima životnog standarda u gradovima’, 2-3

¹⁷⁷ *ibid.*, 3-4

¹⁷⁸ *ibid.*, 4

meetings of the League of Communists etc.¹⁷⁹ Intensification of conflict between local government committees and voters, and between management and the collective, made living standards the main talking point in daily private conversation between people and opened the door to enemy activity.¹⁸⁰ The report stated unequivocally: 'It is a general belief that our achievements in foreign policy are massive, while on the economic front they are negative.'¹⁸¹ Open chauvinism was on the rise in Slovenia and Serbia, as was illegal emigration from Slovenia and Croatia.¹⁸²

The themes emerging in the discussion represented both continuity and departure from the line in 1953. The alignments were still the same but the interpretation of the problems had begun to change with significant implications for who was deemed dangerous and why. First, the crisis on the shop-floor did not appear to be giving rise to the populist enterprise director. While the bourgeois enemy was still referred to, the direct ire of the masses was the foremost concern. The threat of go-slows in order to gain on overtime¹⁸³, wage equalisation, now popular among both skilled and unskilled workers,¹⁸⁴ and economic crime pointed to the potential temptation for conservative forces of a return to administrative methods as the leadership's main worry. This explained Kardelj's turn in the Federal Assembly at the close of 1956 from fearing particularism to fearing a potential central defender of the national interest. It was noteworthy that Ranković, later Kardelj's rival, at this juncture insisted on Kardelj's speech being taken as the basis of agitation and propaganda in the period to

¹⁷⁹ *ibid.*, 5

¹⁸⁰ *ibid.*

¹⁸¹ *ibid.*

¹⁸² *ibid.*, 5-6

¹⁸³ AJ 507-V/IX, 'Problemi životnog standarda u gradovima (Izvodi iz materijala koje su dostavili Republički centralni komiteti)', 6

¹⁸⁴ Two Slovene speakers made this clear, Vida Tomšič and Miha Marinko, in AJ 507-V/IX, 'Zapisnik sa proširene sednice Organizacionog sekretarijata Centralnog komiteta SKJ održana 8 decembra 1956', 7, 10.

follow.¹⁸⁵ Later allegations of their conflict being in the open at this point, with Ranković representative of a frustrated pro-Soviet wing in the leadership, appear groundless in this period.¹⁸⁶ Second, unlike over the Trieste crisis, popular opinion had not turned against the West but against the USSR in view of the Hungarian invasion, which was why foreign policy could be more popular than domestic policy. In Serbia, in fact, rapprochement with Moscow somewhat unexpectedly drew comments that interpreted it as the cause of the fall in living standards, amid loss of U.S. aid.¹⁸⁷ That was additionally a useful counterbalance to the potential threat of revanchist centralism. Third, the threat from the potential pro-Western intellectual circles did not any longer appear to seriously worry the leadership, making continued reliance on the West more palatable. Only the journalists appeared problematic, seeing as some wrote about the Petofi Circle in Hungary as a progressive movement. Ranković responded that among journalists there were still ‘remainders of *djilasovština*’ but these could be dealt with by clarification of ideas.¹⁸⁸ Fourth, the continued focus on self-management relations rather than ‘these sensitive questions of living standards’ suggested that not only the demoralisation or discontent of the party-state rank-and-file was a problem but the dysfunction of entire transmission belts for policy.¹⁸⁹ The SSJ was the obvious target of that accusation at a time of threat.

The unions had indeed continued on a trajectory that had continued to upset and threaten the leadership since 1953. Thwarted in bringing major democratic changes to work relations in 1953, the unions maintained a public discussion around some of the issues in their newspaper

¹⁸⁵ AJ 507-V/IX, ‘Zapisnik sa proširene sednice Organizacionog sekretarijata Centralnog komiteta SKJ održana 8 decembra 1956’, 1

¹⁸⁶ Ranković, *Dnevničke zabeleške*, 123-136

¹⁸⁷ AJ 507-V/IX, ‘Problemi životnog standarda u gradovima (Izvodi iz materijala koje su dostavili Republički centralni komiteti)’, 2

¹⁸⁸ AJ 507-V/IX, ‘Zapisnik sa proširene sednice Organizacionog sekretarijata Centralnog komiteta SKJ održana 8 decembra 1956’, 11

¹⁸⁹ *ibid.*, 5

Rad until the union Congress in 1955, agitating for the return of productivity consultations involving the whole work collective and organised by the enterprise union.¹⁹⁰ The intended Party Plenum to deal with the unions never took place but Cazi had an opportunity to continue his clash with the leadership when the SSRNJ held a plenum in order to deal with the intransigence of the much of the SSJ apparatus in 1954. As the opening statement¹⁹¹ by SSJ head and member of the Executive Committee of the Central Committee of the SKJ, Djuro Salaj, put it, 'the functioning of the trade unions...is not and cannot be only a matter for them'.¹⁹² In a critical account of the relationship between the SSRNJ and the SSJ, the speaker argued that the SSRNJ was failing to reach workers who stayed 'cocooned' in their enterprises where the SSJ held sway.¹⁹³ Yet the bodies of the SSJ also failed to initiate co-operation with the SSRNJ as the overarching, umbrella of the mass organisations. Thus, the former remained only in the factory while the latter remained in the neighbourhoods without interaction.¹⁹⁴ When it came to relations between the SKJ and the SSJ, there were further problems in that leading Communists failed to take trade union work seriously or, apparently less frequently, simply continued to issue commands.¹⁹⁵

Salaj devoted the rest of his speech to the role and tasks of the union itself, which he defined as the defence and furthering of the interests of the working class within socialism. Harping on the refrain of balancing the general interest with that of the particular, Salaj continued: '...the union movement...should be the representative of the class as a whole in relation to parts of the working class, in relation to individual enterprises.'¹⁹⁶ This often meant arguing

¹⁹⁰ Ivan Perić, *Razvoj sistema radničkog samoupravljanja u FNRJ na području radnih odnosa*, Zagreb, Institut za društveno upravljanje, 1962, Chapter 1

¹⁹¹ AJ 142-16-49, 'Treći plenum – Mesto i uloga sindikata u daljoj borbi za izgradnju socijalizma'

¹⁹² *ibid.*, 4

¹⁹³ *ibid.*, 5

¹⁹⁴ *ibid.*, 6-7

¹⁹⁵ *ibid.*, 7-8

¹⁹⁶ *ibid.*, 9

for delayed gratification of wants, which warranted political methods to win workers to new moral standards. Nevertheless, it frequently also led to conflict with backward layers and local union leaderships were not doing enough to resist accommodation.¹⁹⁷ At a deeper level, the unions exhibited unevenness in their work, not simply territorially and according to the size of their workplace, but in terms of concentrating on some tasks, while totally neglecting others. Salaj gave instances of worker protection and cultural-educational work lagging.¹⁹⁸ The final section of the speech pertained to the work of the unions in self-management: the unions ran elections, helped maintain democratic relations and helped in the execution of council decisions.¹⁹⁹ Yet the concentration on these tasks alone had caused problems in other areas of union work, as noted, but it also caused duplication of tasks, suggesting that unions tried to impinge on the work of the councils.²⁰⁰ Apparently more significant was the opposite tendency, to mirror and enforce whatever measures the councils promulgated, whether or not they were legal or in the general interest. That was why it was important to separate personnel.²⁰¹ Finally, worker activity outside their enterprise in the organs of social self-management was not satisfactory and needed change.²⁰² The rest of Salaj's speech merely went into greater detail on the issues he had raised. He discussed educational work and defensive tasks of the unions, arguing that these had been inadequate in that the former was too inward looking and the latter too often remote from worker interests.²⁰³ In relating to the style of work, Salaj appeared to yet again argue that the union was too cut off and did not do enough to engage the masses or to collaborate with other forces and institutions.²⁰⁴

¹⁹⁷ *ibid.*, 10

¹⁹⁸ *ibid.*, 11

¹⁹⁹ *ibid.*, 12

²⁰⁰ *ibid.*, 13-14

²⁰¹ *ibid.*, 14-16

²⁰² *ibid.*, 16-16a

²⁰³ *ibid.*, 17-24, 24-30

²⁰⁴ *ibid.*, 30-36

Concluding, Salaj spoke of the lack of accountability towards higher organs by lower organs, and hoped that the engagement of other forces would help the SSJ fulfil its important tasks.

The discussion showed some disquiet among several trade union leaders. Again, Cazi, amid protests that he had spoken too long, rattled off the standard history and role of the unions from the Communist assumption of power to the Plenum, before raising his own reasons for disquiet.²⁰⁵ His complaints were devastatingly simple. If trade unions were protective organisations of the working class, amid a mushrooming set of institutions of working class power, then it was surprising that they were getting an increasing workload in terms of representing workers in disputes with management and more surprising still that it was expected of them to perform the other significant tasks like economic, political and cultural education. Cazi demanded to know, more than being told that the protective role of the trade union was withering away, what concretely was to be done. His own understanding was that the task had to be shared between the SSJ and the other institutions of self-management, lest the SSJ ended up being solely a protective body instead of performing all its tasks.²⁰⁶ Kardelj responded with the mantra that the working class was the class in power. Neither a transmission belt for a leading organisation nor a defensive organisation of the worker against an employer, trade unions had to attain a better functioning of the system. That meant representing the position of the whole against particular interests, with the decision of what represented the general interest being taken elsewhere. ‘Old’ and ‘oppositional’ methods needed to give way to ‘new’ and ‘co-operative’ ones.²⁰⁷ Tempo added his voice to the belief that the system was primary over the subjective forces: ‘we should organise the economic

²⁰⁵ AJ 142-16-49, ‘Stenografske beleške III plenuma, nepotpune’. (since the document is incomplete, the pagination is confusing – the only viable pagination of the page in relation to the material in the box),

²⁰⁶ *ibid.*, 622-624

²⁰⁷ *ibid.*, 625-638

system in such a way that consciousness comes as a supplement.²⁰⁸ He nevertheless argued that the unions in a situation of flux had the obligation, given they decided on wages, to act with extreme discipline as an 'iron' organisation.²⁰⁹

Another quarrel betrayed a similar disagreement. One of the union leaders Božičević clashed with Kardelj, who had argued that the unions were still over-centralised and needed to develop more initiative from below.²¹⁰ Božičević insisted that the union had been decentralising since 1952, sending some of its strongest cadres from the leadership to the industrial cities, where the situation was good, but that the lack of trained activists meant that smaller places lagged behind. The vertical forms of the industrial unions admittedly remained, Božičević continued, but they did not represent the substance of work. In so far as centralism remained, it was necessary for different branches of industry to co-ordinate work. Still, the full-time apparatus that had characterised the union had been given up in 1950. While it was possible that this also had to change, Božičević added with a hint of irony, it was best to settle on the role of the unions in the system before changing its structures any further. The unions had had to postpone their discussions of their role and structure anyhow given the frequent changes to the wage system and the obligations arising therewith.²¹¹

These discussions echoed Cazi's swipe at Karabegović at the Second Party Plenum. Union leaders felt resentment that they had to answer for the inadequacies of the economic system and the continued institutional chaos in the country. They nevertheless appeared to agree with the general trajectory and the need to bring their house in order. The resulting set of decisions

²⁰⁸ *ibid.*, 661

²⁰⁹ *ibid.*, 662

²¹⁰ *ibid.*, 636

²¹¹ *ibid.*, 663-665

very much reflected Salaj's and Kardelj's views.²¹² For all the difficulties of a changing economic structure, constantly fluctuating workforce, periodic alterations in the wage system and interminable institutional changes, the statement of the SSRNJ Plenum became the authoritative statement on the role of trade unions for decades.²¹³ A plenum of the SSJ convened fifteen days after that of the SSRNJ and adopted the recommendations of the SSRNJ without undue fuss,²¹⁴ and the Congress of 1955 officially endorsed them.²¹⁵ With the crisis of social standards of 1955 and 1956, however, it appeared that the situation only deteriorated. It was not the Organisational-Political Secretariat alone that had detected the disarray in the lower echelons of the unions. The Party leadership began to blame the unions not just for equalisation tendencies but presumably for higher expectations raised by their call for more consumer goods at the Congress in 1955.²¹⁶ That was clear from the trajectory of debates around the wage system and the internal structure of self-management bodies both at the 1955 Congress and in policy forum discussions in 1956.

Indeed, the SSJ Congress appeared to have been a turning point in that it appeared to have given self-confidence to a frustrated rank-and-file despite official resolutions backing the Party line. The cursory notes in the Executive Committee in September 1955²¹⁷ recorded Dobrivoje Radosavljević from the Serbian leadership as having argued: 'The situation will be difficult next year too. The basis of all stories and panics: unsettled relations. It all started with the Congress of the Unions. Each meeting of the Committee for the economy is known of outside. Demobilisation of our cadre.'²¹⁸ With the tone of debate suggestive of serious concerns, and Tito calling for an urgent rise in living standards, leading Communists moved

²¹² *ibid.*, 705-710

²¹³ See Zukin, 'The Representation of Working Class'

²¹⁴ AJ 117-15-37

²¹⁵ *Treći kongres Saveza Sindikata Jugoslavije, Sarajevo, 5-7 maja 1955 godine*, Rad, Beograd, 1955, 315-326

²¹⁶ *ibid.*, 332

²¹⁷ AJ 507-III, 104-112

²¹⁸ *ibid.*, 110

more clearly towards a more export-oriented, market model. Tito himself did criticise decentralisation but he also called for more investment in light manufacturing and agriculture. He criticised recent economic plans and in particular ranted against calls for less funds for the military.²¹⁹ Tempo started with his previous thesis of parasitism at the expense of heavy industry, suggested that military and industrial expenditure remained at a high of 48 percent, which would prevent any immediate amelioration of living standards, but then went further:

'It had been necessary to go for low wages for workers. Every year some 300,000 moved to industry, and we work with manual labour – expensive. Thinks it is in that direction – the mechanisation of production that reductions ought to be sought not with the army...Need to find a solution in a change of the system. Points out that the conclusions reached at comrade Tito's have not been implemented among the republics. Need to change the credit system in agriculture. Criticises theories that prices are the only condition and stimulant to raise agricultural production. The tax system needed change also. The small peasant enjoys all the benefits – as a peasant he is not taxed – he is lightly taxed, while as a worker he has all the benefits of employment in industry. The rise in production in agriculture should not be accompanied by a rise in the purchasing power of the village...The question of wages: production is rising faster than the number of employed. Necessary to develop interest in the productivity of labour to the full.'²²⁰

That set of reasoning amounted to the first implicit acknowledgement that worker management had been straitjacketed by a system of low wages, rather than that the wage system was inadequate because of continued ability by the enterprises to rise above planned rates. Additionally, Tempo had admitted to the persistence of the worker-peasant layer, which, he argued, needed to be decided in favour of the city, if worker management were to be meaningful. The phrase towards the end of the extract about labour productivity signalled the beginning of the end of profit-sharing in enterprises. Income-sharing, a mode of *a priori* wage-planning, would be the result of the reforms of the period following the Hungarian Revolution. Nevertheless, the decisive forum had pronounced on the principle even though implementation would occur only later.

²¹⁹ *ibid.*, 104

²²⁰ *ibid.*, 105-106

It was Kardelj who, continuing from Tempo's analysis, stated all this more clearly in his own criticism of economic planners: 'Can we as a socialist country continue to exert pressure on the ordinary man?...It is necessary to change the structure of investment and not be afraid if the whole sum rises. It is necessary to take a clear stand on [living] standards.'²²¹ He then went on to propose a seven-point programme: lowering investment; slowing down the flow of labour to industry; strong measures for local investment; a reform of the wage system; reform of the economic system; increase of exports; and bringing work relations under control.²²² Speakers from the less developed republics all spoke in favour of a rebalancing in their favour, confirming the line of the Third Plenum but suggesting its conclusions had not been implemented.²²³ Several of them also suggested a desire to have a public discussion since experts had too much say in the economy and Aleksandar Ranković suggested that the issue be brought out in the open at the proximate plenum of the SSRNJ when 'more information would be available'.²²⁴ That was carried in an obvious push by the leadership to push a public debate and set of conclusions on its unruly lower echelons.

Indeed, less than two months later, the famous Fourth Plenum of the SSRNJ brought an even more coherent and unequivocal statement of purpose on the part of the Yugoslav leadership about its intentions on the eve of the fateful year of 1956. Tito gave the authoritative statement which for the first time suggested a rounded and coherent direction ever since the new course of mid-1953.²²⁵ Sharp in his admission that only administrative levers appeared to be functioning, Tito went on to explain the overriding necessity in the preceding period of building heavy industry even, as it had been, at the cost of widespread imbalances. Now, he

²²¹ *ibid.*, 107

²²² *ibid.*, 108

²²³ *ibid.*, 109-110

²²⁴ *ibid.*, 111-112

²²⁵ AJ 142-17-50, 5-36

argued, there needed to be a more integrated way forward that sought balances across regions and sectors, including military production. Production for domestic consumption, particularly of machines, had to occur and to lessen reliance on foreign capital. He reasoned also that the government needed to smooth out inter-republic relations, which had understandably suffered from the imbalances of the preceding period and which were beginning to fester.²²⁶ When he reached the question of exports, Tito finally provided a strategic viewpoint:

‘When we speak of future investment policy, we have to take care that investment takes place primarily on the basis of domestic development, and then also for foreign markets. Were we to concentrate on industrial production on the basis of raw material imports, for the purpose of exports, then we shall, at the present stage of development when we are still weak, go very slowly with raising the living standards of our citizens, because our products would with difficulty withstand competition on foreign markets, on account of high production costs, and regression on account of exports is costly for our citizens...I am in favour of building and upgrading, in the first instance, that industry which uses resources from domestic sources, because it is more profitable to export finished goods than raw materials...We must in the future focus on finding new export opportunities from the agricultural sector.’²²⁷

This amounted very much to the confirmation and deepening of the line provided in 1953. A clearer relationship between investment for domestic and foreign purposes emerged from Tito’s speech. Production for domestic consumption gained primacy over heavy industry, at least temporarily, while production for export also received a strategic footing beyond covering for a temporary disproportion in the balance of trade. More than that, a stagist view of the country’s export potentiality clearly suggested movement in the direction of accepting roles in the international division of labour with no capitulation over the ambition to industrialise the country. Tito moved next to labour productivity: extensive growth had to end and with growth in industrial production set to slow down, Tito was amazed that planners had foreseen a further rise in the number of industrial workers. Internal rationalisation of production had become central in the struggle to raise living standards, particularly as any

²²⁶ *ibid.*, 9-13

²²⁷ *ibid.*, 13

continued attempt at keeping living standards down would have been potentially explosive. Further market reform of the wage system therefore envisaged the possibility of higher wages and lower prices.²²⁸ For Tito, then, labour productivity remained an accounting problem of the imbalances within domestic production. Despite his claim that living standards and the imbalance in trade amounted to the two most important questions for further development, their interrelation at best occurred on the level of the reformulation of the macroeconomic balance between different sectors of the economy and, seemingly, not directly.

Further discussion did make that connection, however. Miha Marinko, from Slovenia, made an explicit link between labour productivity and exports during the discussion, in a speech worth quoting from extensively:

‘We have already had, here and there, complaints from various negative elements, with an anarchist attitude to rising living standards, when we spoke about the impossibility of raising living standards without raising labour productivity. Already, we have started getting comparisons with Germany. When I went to Litostroj, various demagogic opinions could be heard on the living standard, so they said we should compare ourselves with Germany. They said that when we have those standards, we can seek such labour productivity. It is clear that the thing has been turned on its head. For, there is no possibility of raising standards without raising productivity of labour...No one here thinks or talks about...what the production costs of our export articles amount to....We have to pose the question of value, the question of production costs as one of the elements we ought to tie to the question of wages, with the question of the struggle for a higher productivity of labour, which here has to play a role in our standing on the international market.’²²⁹

Other speakers, more importantly, showed that the issue of a comparative assessment of labour productivity was present among planners more widely, if evidently not systematically. Šefket Maglajić, a representative from Bosnia, spoke of how the government in that republic assessed the performance of the metallurgical coke factory in Lukava by comparing its productivity per worker with that of other plants ‘of the same type in Europe’.²³⁰

²²⁸ *ibid.*, 14

²²⁹ *ibid.*, 61

²³⁰ *ibid.*, 72-76

Quite clearly, therefore, a competitive logic had both indirectly and directly begun imposing itself on Yugoslav economic development. Leading figures, including Tempo and Tito, moreover, argued for re-interpreting the previous approach to wages best encapsulated as 'to each according to their work', towards a system that rewarded individuals on the basis of the performance of their collectives as a whole. In Tempo's (and Tito's) words:

'I cannot understand how the income of workers in the shipbuilding works in Rijeka, or their tariffs are identical to those of the shipbuilding works in Split, even though the productivity of labour is greater. It is true some enterprises have no incentive for a greater income, in other words for decreasing their costs, neither in terms of reducing their labour force nor their material costs...I think that the wage system is still on weak legs...My main complaint is that we need a good look at what is not working here.../Tito: I completely agree...The wage system must go in parallel with all these changes.../'²³¹

The preferences of the leadership were ever more clearly moving in the direction of more profound market reform at the level of providing incentives for greater enterprise autonomy and the creation of a labour market. This combined with the Yugoslavs' belief that more money in circulation would provide enhanced opportunities for development rather than malpractices, a further decisive step away from command-and-control. Historians registered developments in this direction, albeit on a different plane of analysis: '[i]mport restrictions on consumer goods were eased, starting in 1955, in the hope of encouraging higher labor productivity and at the same time forcing a decline in the costs of domestic production in order to improve the competitive position of Yugoslav products abroad.'²³²

Implementation of the measures called for by the Fourth Plenum was nonetheless slow. Yugoslav leaders became engrossed with discussions over future relations with the Soviet Union. It was only with the twin crises over Suez and Hungary in autumn 1956 that finally

²³¹ *Ibid.*, 124-125

²³² *Hoffman and Neal, Yugoslavia and the New Communism*, 336

accelerated the pace of the declared reforms. The Executive Committee of the CC SKJ met in early November 1956 to discuss the economic situation. Only the conclusions of the meeting have survived but they re-affirmed the Executive Committee and SSRNJ Plenum conclusions from late 1955. Understandably under the circumstances, the brief notes placed living standards and a change in the wage system as a first priority and discussed military spending as a second priority. Foreign trade came third but only in the sense that what credit could be attained would go towards production rather than payment of debt and that public spending would have to fall towards a more realistic level. The formulation, therefore, was more defensive than that during late 1955. Industrial investment would also fall, while the budgets of local governments would be based on local taxation and strictly circumscribed. Social control of spending needed to be strengthened, the document further posited, while a politics of redistribution in favour of less developed regions also needed to take place. Finally, and perhaps most importantly, the Executive Committee decided that one-year plans had not shown themselves an apt instrument of policy and announced the need to work out a second five-year plan.²³³ This, more than its other conclusions, which accentuate some of the tactical priorities of the moment, amounted to a significant leap in policy and a new departure. The end of aid and the projected reliance on credits set the stage for the next phase of Yugoslav integration in the world market.

Part III -- Income Sharing, the Market and the Trbovlje Strike 1956-1958

The previous section demonstrated the ascendancy of the market wing of the party-state leadership as it implemented its technocratic and market-oriented vision of development amid

²³³ AJ 507, III, *op.cit.*, 125-128

trade union resistance. Still hamstrung by the multiplicity of views in the ruling SKJ, the reform coalition had to propose each leap in the direction of change by injecting it with elements acceptable to its opponents. Nevertheless, it had used the Hungarian events to make the decisive push for radical reform by linking the classical socialist tenet of 'from each according to his ability, to each according to his work' to work collectives rather than individual workers. This decisive shift occurred within the context of what could be seen as a comfort for more conservative elements in the leadership: a revival of long-term planning in the form of a new five-year plan to embrace the half decade from 1957 to 1961. More than that, clothed in the language of self-management, this turn towards the market emphasised, albeit for tactical reasons, the primacy of the domestic against the external market. Production had to be geared to correct the earlier imbalance in favour of producer against consumer goods. Cuts to the public sector and investment in agriculture, furthermore, acted as a means to reduce reliance of foreign credits as the balance of trade deficit continued to worry the Yugoslav Communists and cause them embarrassment as they proceeded with rapprochement in the East. Although the plan projected an increase in exports, it was the fall in imports that represented the major preoccupation.

All these measures reflected, at least temporarily, an autarky acceptable to both weary conservatives, fearful of the corrosive influences of the world market, and pragmatic reformers, cognisant of the low quality of Yugoslav manufactures. Neither side wanted to abandon the ideal of rapid state-led catch-up and appeared content with rising economic output. Both sides understood the need to maintain unity in an unpredictable geopolitical setting and understood the need for a quick alleviation of living standards. The strains of industrialisation in East Germany, Poland and Hungary had raised a spectre of uprising from below that the Yugoslav leadership wished to banish from the corridors of power. By the start

of 1958, however, the reform wing of the leadership suffered a significant reversal despite over a year of steady and significant advances at various platforms and Congresses, in the legislative process, and over foreign policy following the autumn of 1956. The turning point occurred in January 1958 as a strike in the Slovenian mine of Trbovlje inaugurated what turned into a shallow but significant strike wave over several years. While unrest never reached threatening proportions from the standpoint of the party-state, it nevertheless riled the leadership and forced a novel reassessment of the line.

Behind the Congress of Workers' Councils: November 1956 – June 1957

Following the decisive shift towards further market reform at the meeting of the Executive Committee of the Central Committee of the SKJ after the Hungarian events, the SKJ leadership became engrossed in foreign affairs. It fell to the Federal Executive Council (SIV) to develop the legislative shift from profit sharing to income sharing in the enterprises. The papers of the relevant committee of the SIV are not available at the time of writing but the process of reasoning can be reconstructed on the basis of trade union archives. Namely, the SSJ leadership remained in constant discussion with SIV over wage policy. At the close of 1956 and opening of 1957, the SSJ went to great lengths to distance itself from accusations thrown at it by government and Party leaders pertaining to demands for wage levelling in the period from 1953 to 1956. Nevertheless, trade union preoccupations proved different to that of the governmental bodies and the relationship between the two institutions continued to experience frictions. They foreshadowed conflicts that would arise after the strike wave began in early 1958. In the meanwhile, such was the dominance of the reform project that policy divergences remained beneath the surface and subject to comradely discussion. Up until the Congress of Workers' Councils in the summer of 1957, called at the apparent

initiative of the SSJ, the trajectory of the socialist system appeared to be ineluctably moving in the direction set by the SKJ apex in the autumn of 1956.

The programme of reform crucially depended on the ability of the apex to re-connect with a popular base. This involved a delicate and contested series of differentiations of the echelons below the federal and republic leaderships by policy makers. Most obviously, tying advances in living standards to productivity gains on the part of increasingly autonomous enterprises challenged middle-level apparatuses that had sprung up in the preceding period.²³⁴ This shift necessitated a return to more populist methods of mobilisation that represented a stark contrast to the dominant political themes of the years 1953-1956. A significant surface expression of this shift was the prospective five-year plan entered the public sphere for discussion as part of the strategy of mobilisation.²³⁵ Precisely because market reform necessitated some concessions from levels of the state bureaucracy but also implied a time lag between a change in direction and tangible material reward for successful work collectives, the dominant faction in the party-state decided to establish a more durable relationship with a relatively stable constituency within the enterprises. It settled on the skilled and highly skilled workers who dominated the institutions of worker self-management. Later commentators acutely identified this move because of the official preoccupation with the need to widen the pay gap within firms that dominated public discourse until and at the Congress of Workers' Councils.²³⁶ The question of living standards also began to dominate policy forums as against simply wage systems. This became evident at the first plenum of the Central Council (CV) of the SSJ to be held after the Hungarian

²³⁴ Petranović, *Istorija Jugoslavije*, 342-343

²³⁵ This has been noted in relation to the Five-Year Plan by Rusinow, *Yugoslav Experiment*, 102-103

²³⁶ *ibid.*, 103

events in December 1956 at which living standards constituted the main discussion point on the order paper.²³⁷

Already in November, the CV SSJ presidency had met to suggest an emergency wage rise of 5 percent for non-skilled and semi-skilled workers and 10 percent for skilled and highly skilled workers to take effect in January 1957. It had also worked out a plan of activity for the SSJ as a whole for 1957 that included special attention to the question of wage rates and work relations.²³⁸ Just over a month later, the Third Plenum met to concretise the modes in which the trade unions could put in motion their massive apparatus to implement the changes necessary to stave off urban revolt and maintain a high level of economic growth. The trade union press indicated that a revolution in policy had finally been settled upon at the Plenum: it rested on the principle that living standards ought to be raised primarily by raising wages rather than cutting costs.²³⁹ Veber prepared a set of theses on the living standard of workers and administrative officers. The document was based on research carried out in the summer of 1956, spread over eighteen pages and had been sent to participants in anticipation of the meeting. The theses provided an indication of the range and complexity of the issues that the trade union leadership undertook to tackle in anticipation of the prospective five-year plan: trends in real wages; productivity of labour, the stimulation of producers and tariff politics; agricultural production; the market, prices and supply; housing; social protection; the structure of spending; and the politics of the commune or district government. Over forty participants took to the podium in a lively and heated discussion over two days.²⁴⁰

²³⁷ *Treći Plenum CV SSJ*, AJ 117-16-41

²³⁸ AJ 117-4-17

²³⁹ 'Razgovori o povećanju plata', *Rad*, 30.XII.1956, 4

²⁴⁰ 'Teze za referat o životnom standardu radnika i službenika', in *Treći Plenum CV SSJ*, AJ 117-16-41

It emerged that there was serious concern in the trade unions about the new direction. Most agreed that a new wage system was necessary.²⁴¹ Moreover, in terms of the subjective weaknesses speakers pointed to, the emphasis was on what technocracy could bring. This included professional organisation of the labour process with the belief predominating that engagement of part of the technical staff to work on this problem substantially improved productivity.²⁴² Industrial chambers and associations had also not taken a leading role in terms of modernising work methods or other useful tasks like collecting information that could be used by enterprises and planners.²⁴³ Furthermore, lack of cooperation among enterprises duplicated tasks and retarded specialisation.²⁴⁴

Nonetheless, several speakers pointed out that there was disagreement about what constituted higher living standards. Nikola Šegota from Croatia therefore proposed a joint committee of government and trade union representatives to study living standards in greater detail and agree a single line on the issue.²⁴⁵ While he disagreed with the theory of 'poverty' wages,²⁴⁶ Šegota ended up effectively calling for continued central allocation of wages to prevent social strains blowing up. The promised wage rises of 5 and 10 percent were in his opinion symbolic and would not lead to rises in productivity but rather: 'bring into the enterprises a string of arguments and discussions about how the comrades up there have already granted to those with high wages even higher wages, that they care only about them, etc'.²⁴⁷ Since there was great variation between industries and regions, giving preference to skilled and highly skilled workers posed challenges for Yugoslav unity as the impact of wage increases would

²⁴¹ 'Diskusija o životnom standardu: Celovito zahvećeno', *Rad*, 30.XII.1956, 3

²⁴² *ibid.*

²⁴³ *ibid.*

²⁴⁴ *ibid.*

²⁴⁵ *ibid.*

²⁴⁶ 'Treći plenum', 79

²⁴⁷ *ibid.*, 76

be uneven.²⁴⁸ Šegota preferred a lump sum given out to enterprises to distribute internally by the workers' councils, which the government feared would mean wage levelling. Moreover, he argued for greater predictability in the system, a new stimulating norm rate to only be taken up the following year on the basis of thorough research, and greater control and inspection from above.²⁴⁹

The response given by the representative of the government, the federal vice-premier Tempo, amounted to a frank admission of divisions in the federal government but also a bold pitch for radical reform. His opening arguments placed the growing current account deficit at the centre of the debate. This followed a dramatic set of internal reports, presented two months after the SSJ plenum at a meeting of the Executive Committee, stating that Yugoslavia, even after drastic changes to the economic system, might not be able to recover its balance to equilibrium until 1961 or even 1965.²⁵⁰ The government had relied on American aid to finance deficits running into tens of billions of dinars every year since 1950 but in 1957 this was about to change: 'we are no longer receiving aid but taking out loans'.²⁵¹ The five-year plan had to subordinate its priorities to overcoming a massive annual deficit of 120 million dollars.²⁵² This would be achieved by effecting deep cuts in public expenditure,²⁵³ reduction in social welfare which was apparently the highest in Europe at 10 percent,²⁵⁴ employing the mass organisations in a struggle against duplication among firms and republics,²⁵⁵ targeted investment in agriculture and local transport,²⁵⁶ and increases in exports.²⁵⁷

²⁴⁸ *ibid.*

²⁴⁹ *ibid.*, 79-80

²⁵⁰ AJ 507-III, 'Zapisnik sa sednice Izvršnog komiteta Centralnog komiteta SKJ održane 27. februara 1957. godine u Beogradu', 16-17

²⁵¹ 'Treći plenum', 85

²⁵² *ibid.*, 86

²⁵³ *ibid.*, 88

²⁵⁴ *ibid.*, 92

²⁵⁵ *ibid.*, 92, 93-4

²⁵⁶ *ibid.*, 94-102

²⁵⁷ *ibid.*, 91

Logically, the wage system had to be at the centre of such a push. Tempo devoted roughly the last quarter of his speech to the issue of labour productivity.²⁵⁸ He stated openly that he had made his opposition to the profit-sharing system public as early as 1954 on account of the fact that it did not offer adequate incentives for raising labour productivity.²⁵⁹ In direct response to Šegota's proposal that wage rises should be decided by the workers' councils after a lump sum had been handed out across industry, Tempo expressed a level of exasperation. While the government had initially intended to raise only the wages of the more skilled layers of the workforce, it had given in to union pressure for the 5 and 10 percent deal for the less and more skilled workers respectively. Now there was further confusion with yet another, different proposal coming from the unions, so Tempo asked the union to decide before the next sitting of the government what its position really was.²⁶⁰

His own views, which he said were not shared by all in his 'surroundings', by which he meant government,²⁶¹ were still open to alteration but he himself believed that the new wage system would have to be a compromise between the need to overcome the unevenness produced by the administrative period and the profit-sharing period on the one hand, and the need to provide an effective stimulus for raising productivity on the other. Nevertheless, he hoped that that compromise would not concede much to centralism and would favour enterprise, autonomy and workplace rationalisation.²⁶² Moreover, it was important to go against levelling and reward skill for two major reasons: to provide incentives for training and to strengthen the city against the countryside.²⁶³ With the threat of ballooning debt

²⁵⁸ *ibid.*, 103-112

²⁵⁹ *ibid.*, 103

²⁶⁰ *ibid.*, 110-112

²⁶¹ A heckler during the speech had used this term to refer to the government. *ibid.*, 107

²⁶² *ibid.*, 107-109

²⁶³ *ibid.*, 89, 111

hanging over the economy, the former was vital because even when Yugoslav firms employed the latest technology, their enterprises took on more workers and had a lower labour productivity than comparable plants in Europe. The latter reason rested on the assumption that low-skilled peasant-workers would spend their money in the countryside where the private sector still predominated, while skilled workers would remain in the city and purchase goods produced in the socialist sector, thereby giving domestic production a crucial boost.²⁶⁴ As Tempo concluded, he received enthusiastic applause.²⁶⁵

A significant shift had occurred in the terms of the debate between the government and the unions. Both professed the deepening of the autonomy of the institutions of worker self-management. The government interpreted this to mean that the centre would empower the more skilled elements in the workplace to fight for more share of the market within broad limits by encouraging wage differentials within firms and thereby enhancing the incentive scheme to raise productivity. The unions, by contrast, insisted that the centre should empower workplaces by allowing them to decide on the wage scale autonomously while acting administratively to keep wages in tune with prices. The two approaches did not deny the need for government intervention or popular mobilisation but expressed a difference in kind and location at which these should be employed. The government saw productivity rising with technical competence moving to the enterprise but within strict political and legal limits. The unions by contrast saw technical competence remaining with the centre while mass political mobilisation would raise technical knowledge and productivity within the workplace. Put more vividly, the former sought to bring technology to the masses while the latter wanted to pull the masses towards technology.

²⁶⁴ *ibid.*

²⁶⁵ *ibid.*, 112

This became immediately clear as the first issue of the union paper to come out after the issue with the reports from the plenum carried an article that moderated but retained the union's position from the plenum on the question of wage rises. Entitled 'Against a linear increase',²⁶⁶ the article in fact argued that the trade union view now was that the 5 and 10 percent wage rises ought to be implemented but not mechanically. Rather, workers' councils would approximate wage rates to these two figures but mould them to fit the concrete circumstances of each individual workplace. This evidently amounted to a concession to the government as the stronger party in the partnership but it still sought room for manoeuvre: the principle that political actors within the workplace could tailor the demands of the centre to their own situation even if they had to remain within stricter boundaries than they would have preferred. The unions, therefore, while professing adherence to strict democratic centralism, or the need for maximum debate before government made a decision and maximum unity in executing the decision, still appeared bent on blunting the edge of the policy to be executed even as they conceded its overall direction.

The same issue of *Rad* contained another two announcements on issues that would come to dominate the following year. The first was that the government was drawing up new laws pertaining to work relations and the second centred on the convocation of the first Congress of Workers' Councils for June of 1957.²⁶⁷ While news of changes to the wage system did not come as a surprise, the sudden convocation of the Congress was a relative novelty. It had in fact first been suggested by the Federal Assembly in 1955 and had been newly mooted to the a trade unions who set up a Committee for the Convocation of the Congress of Workers' Councils at the close of 1956,²⁶⁸ only to be criticised at a closed meeting of the EC CC SKJ in

²⁶⁶ 'Protiv linearnog povećanja', in *Rad*, 18.1.1957, 7

²⁶⁷ Both announcements came on the first page, *ibid.*

²⁶⁸ The materials of the Committee deliberations are not preserved.

early 1957.²⁶⁹ The exact origin of the renewed interest in holding a Congress is unclear. Nevertheless, Kardelj brought it up at the EC in January, in order to obtain close political supervision of the event. He suggested that the initiative be broadened out as 'the impression is being formed that this is an action of the trade unions alone'.²⁷⁰ The EC decided that the presidency of the SSRNJ as the umbrella alliance of all the mass organisations that included the trade unions should formally sanction the move and participate in the organisation of the Congress even if the Congress was to stay a trade union initiative.²⁷¹

Such concern notwithstanding, the political apex had clearly attached great importance to the organisation of the Congress: they had decided on serious mobilisation around it, a broadening of the composition of the committee for its convocation and extensive coverage in the press.²⁷² Most later commentators consequently saw the Congress as a major landmark that recorded the intentions of the reform alliance and created 'a climate of public expectation' around what 'seems to have been the first mention in an official document of the possibility that investment ('expanded reproduction') might also be transferred, at least in part, from the State to the self-management sector.'²⁷³ Yet the Congress amounted to more than that. It delayed, shaped and intensified the rift that had begun to open up over worker management at the Third Plenum of the SSJ. That would only become clear months after the Congress had taken place. Indeed, its impact was only indirect. The titanic struggle was in fact over the wage system and the fault lines that dominated Yugoslav economic policy-making until at least 1961 and arguably as late as 1965 crystallised around issues pertaining to the wage debate. Moreover, it was the strikes of 1958 that provided a more obvious and

²⁶⁹ AJ 507-III, 'Zapisnik sa sednice Izvršnog komiteta Centralnog komiteta SKJ, održane 24. januara 1957. odine u Beogradu', 14-15

²⁷⁰ *ibid.*, 14

²⁷¹ *ibid.*, 14-15

²⁷² *ibid.*, 15

²⁷³ Rusinow, *Yugoslav Experiment*, 103. See also Petranović, *Istorija Jugoslavije*, 343-344, and Bilandžić, *Historija Socijalističke Federativne Reoublike Jugoslavije: Glavni Procesi 1918-1985*, 242

dramatic opportunity for major institutional and policy battles that foreshadowed the market reforms of 1961.

The full significance of the Congress of Workers' Councils to that process has never been appreciated. Yet it contributed to the process in two major ways. First, the trade union leaders appeared to have realised that the Congress had been foisted upon them and that further departures from their own vision of running the system were imminent in the form of a wage system they disagreed with. So, they in large part gave way to the market reformers at the Congress and decided to make their stand afterwards. Second, their success in organising the Congress had given the SSJ an impetus and standing that other institutions and mass organisations had begun to lose, amid a myriad of problems both at the levels of policy and execution of policy. This meant that the fixation their leadership developed with matters of state raised rank-and-file belligerence but left the trade unions exposed when they proved unable either to deliver their programme or contain the resulting frustration of their members. Thus, while the SSJ gained a pyrrhic victory in the short term by strengthening interventionist elements in the party-state, it also suffered a shake-up that installed a major market reformer at the helm. The significance of the Congress of Workers' Councils could only be grasped, therefore, in the totality of relations that developed after the autumn of 1956 and that reached a peak at the start of 1958.

Lost in Transmission: Defects in Mobilisation ahead of the Congress and the Strikes

Reflecting on the first labour strikes of post-war Yugoslavia, Tempo admitted about the SKJ leadership in his memoirs that: 'the results in the development of production and standards

during 1957 had pretty much lulled us to sleep'.²⁷⁴ Only Tito appeared concerned, warning high-ranking government officials in late 1957 that continued popular dissatisfaction with the economy ought to be understood as 'underground thunder'.²⁷⁵ Nevertheless, a sense of relative confidence dominated at the apex for much of 1957. This did not extend to policy direction so much as policy execution but it pervaded a sense that their power was secure. Whatever happened, the Yugoslav leaders appeared to believe, they would be on top of things. They debated many important issues in the open. Indeed, the antecedents of the contest around wages began to reach the public via the trade union press already in the spring, even if the debate occurred in earnest after the Congress.

That very much contrasted with the relative paucity of discussion of the Congress even behind closed doors. It was as if most of the actors appeared to believe that the Congress involved a one-off mobilisation like any other that was conducted around an election or the Congress of any of one of the mass organisations. Indeed, following a brief treatment in January, the EC met several times in the first half of the year but did not discuss the Congress of Workers' Councils. Instead, it concentrated on the worsening relationship with the countries of the Eastern Bloc following the Hungarian Revolution, the economic situation following the resulting suspension of Russian credits for a major aluminium plant in Montenegro, and personnel changes in the Federal Assembly and the leadership of the trade unions following respectively the death of the renowned EC member Moša Pijade and the illness of another senior EC member Djuro Salaj.²⁷⁶

²⁷⁴ Vukmanović Tempo, *Revolucija koja teče*, 317

²⁷⁵ A JBT, Fond Kabineta Predsednika Republike, II-2/134, 'Prijem Milentija Popovića i Mijalka Todorovića, (Beograd) ?, 22.11.1957', 3

²⁷⁶ AJ 507-III, minutes for meetings on 24 January, 27 February, 18 March.

While that in itself might have been indicative of a relative relegation of the Congress to the status of just another assembly, the decision to facilitate a change of leadership in the trade unions and then a failure to do so until the beginning of the following year, after the strikes, suggested weariness of the SSJ. The archival papers of the Party certainly do not reveal why Salaj stayed on for a full year after the decision was made but further research into the Secretariat of the SSJ may yield important clues. The episode may be of interest because Tempo, who was ultimately to succeed Salaj, instead of Ivan Božičević, the high-ranking trade union functionary in fact chosen at the March 1957 meeting of the EC to be Salaj's successor, signalled disagreements over the attitude to be taken towards the trade unions at the top of the SKJ. The details are murky and Tempo's memoirs tend at times, euphemistically put, to be a better indication of overall trends than exact events. On this matter, his claim that the EC decided on him in early 1958 on the back of the Trbovlje strikes and that he refused, only to change his mind some time later,²⁷⁷ appears to be borne out in part by the evidence: the EC did meet to decide on personnel changes in anticipation of the Seventh Congress of the SKJ and announced changes to the SSJ leadership on 7 February 1958 but named Tempo as president only at a later sitting on 20 March 1958.²⁷⁸ The reasons for the delay are not so clear from the evidence. Tempo intimated that the month of prevarication became the subject of factional intrigue by forces hostile to economic reform and largely based in Serbia, around the chief of secret police and one of inner leadership within the EC, Aleksandar Ranković. None of the names Tempo mentioned as his possible rivals came up in that capacity either in early 1957 or early 1958 in the archival papers. Still, his account may be indicative of the reason why Salaj stayed on through 1957: to prevent the struggles that jockeying for position would have necessarily provoked at a time when a line had not been agreed on major issues where the unions had a stake and a public debate

²⁷⁷ Vukmanović Tempo, *Revolucija koja teče*, 319-322

²⁷⁸ AJ 507-III, 'Zapisnik sa sednice Izvršnog komiteta Centralnog komiteta SKJ održane 7. februara 1958 godine u Beogradu', 2

beckoned. That in turn may be indicative of the strains the SKJ leadership believed that the debates would provoke.

Such caution might have been realistic given the process of erosion that the SKJ apparatus itself appeared to have undergone during 1957. Uncertainty about the date of the Seventh Congress of the SKJ in part played a role in this. Having already postponed the Congress by a year during the turbulent events of 1956, the leadership felt twice more forced under pressure of external events to reschedule, from the initial date set for late autumn of 1957,²⁷⁹ to the early winter of 1957,²⁸⁰ and then to the spring of 1958.²⁸¹ The overbearing pressure of the Eastern Bloc accounted for the deferral as it practically forced the SKJ to accept an invitation to Moscow on the fortieth anniversary of the October revolution as a way of avoiding renewed confrontation on the scale of 1948.²⁸² Indeed, foreign relations provoked a high number of EC meetings for the entire year and dominated proceedings in five of the seven meetings, indirectly affecting two, which dealt with the balance of trade mechanism or other external shocks like the suspension of Soviet credits for a major aluminium plant in Montenegro.²⁸³ The only CC plenum held that year also concentrated on the postponement of the Seventh Congress and on relations with Romania.²⁸⁴ With the gaze of the federal leadership fixed firmly on events beyond Yugoslav borders, therefore, other bodies had to deal with domestic issues with little political guidance from the leaders.

²⁷⁹ AJ 507-III, 'Zapisnik sa sednice Izvršnog komiteta Centralnog komiteta SKJ, održane 24. Januara 1957. godine u Beogradu', 8

²⁸⁰ ²⁸⁰ AJ 507-III, 'Zapisnik sa sednice Izvršnog komiteta Centralnog komiteta SKJ, održane 27. juna 1957. godine u Beogradu', 17

²⁸¹ AJ 507-II, 2, 'Stenografske beleške o radu VIII Plenuma CK SKJ održanog 9 septembra 1957 godine u Beogradu.', 2-4

²⁸² *ibid.*

²⁸³ AJ 507-III: meetings in January, March, September, October and November discussed relations with the countries of the Soviet bloc. The EC in February and June dealt with the economic situation and concentrated on the balance of trade or external shocks as a high priority.

²⁸⁴ See ff. 65 above.

Yet notes on the meetings of republic-level parties over the summer of 1957, prepared by the Organisational-Political Secretariat of the federal CC as part of the preparation for the Seventh Congress, revealed that the republic Party leaderships convened in large part in order to discuss *post factum* federal Party meetings or to react to pressing local political issues. So, the Slovene leadership dealt with the medical profession and elections of professors at the University of Ljubljana, the Serbian communists appeared most concerned with minor organisational details and agriculture, the Croatian leadership concentrated on the twentieth anniversary of the foundation of the Croatian Party and cadres in Zagreb, the Montenegrin Party bosses raised substantive issues like agriculture and the reorganisation of the state administration, the Bosnian Party effected personnel changes and discussed local elections, and the Macedonian reports contained only the number of meetings but not their topics.²⁸⁵ This suggested that there was a significant lack of initiative on the part of the Party as a whole in affecting the major trends of policy set by government.

While the work of the lower echelons did seem to be more proactive, some major warning signs that the system of transmission was not in the best order even at that level were reaching the Organisational-Political Secretariat. At a meeting on 31 January 1957, chaired by Ranković, the Organisational-Political Secretariat discussed cadre policy.²⁸⁶ Two worrying developments came to the attention of Party leaders. First, the slow pace of rejuvenation of Party committees at the district and municipal levels, was threatening to alienate the SKJ from the working class as older members, frequently partisans, appeared unsuited for the new tasks at hand. The eagerness of young workers to pursue technical

²⁸⁵ AJ 507-V, XI, 'Informacija o održanim plenumima, sastancima izvršnih komiteta i savetovanjima CK SK Republika u vremenu od maja do septembra o.g.', 1'10, attached to the minutes of a meeting of a sub-group in the Organisational-Political Secretariat held on 17 December 1957: 'Zapisnik sa sastanka grupe za komitete održanog 17. XII.1957 godine'

²⁸⁶ ²⁸⁶ AJ 507-V, X, 'Stenografske beleške sa proširenog sastanka Organizacionog sekretarijata CK Saveza komunista Jugoslavije, održanog 31. januara 1957. godine u 17. čas.'

training meant that the shortage of skilled cadres was increasing rather than decreasing in leadership positions. Potentially, that would leave the SKJ unable to impact on policy-making in the organs of worker and social self-management. Various ways therefore had to be devised to overcome this problem, from additional training for older cadres, through an increase in the size of committees to get a better mix, to more political work with younger workers to get them more involved.²⁸⁷ Second, speakers complained of the monopolisation of functions, with Party members taking on more responsibilities than they could possibly carry out as individuals, in one case a city committee member in Montenegro taking on 22 functions, as an increasing danger to Party authority.²⁸⁸

As the year progressed, other issues came to the fore too but they were subsumed by relatively positive assessments about the development of Party work or organisational details pertaining to the Seventh Congress. Party membership grew substantially in the first half of the year, from 648,000 to 728,000.²⁸⁹ This allowed EC heavyweights to argue the need to strengthen the commune, favour workers over peasants, and use the elections to the Congress as a more direct form of mobilisation closer to the workplaces.²⁹⁰ The situation appeared in good order for the first time in years but molecular changes in the rank-and-file caused some worry. In September, the Organisational-Political Secretariat explicitly discussed problems albeit within the context of overall policies that it considered successful. Namely, it went behind the statistics that registered the rise in Party membership to question whether all was indeed well. A high turnover rate, as well as spikes in recruitment that reflected a mechanical

²⁸⁷ *ibid.*, 2-32

²⁸⁸ *ibid.*, 32-36

²⁸⁹ AJ 507-V/X, 'Stenografske beleške sa proširenog sastanka Organizacionog sekretarijata CK Saveza komunista Jugoslavije, održanog 26.IX, 1957. godine', special material produced for Ranković, summary, 2

²⁹⁰ AJ 507-V/X, 'Stenografske beleške sa sastanka Organizacionog sekretarijata CK Saveza komunista Jugoslavije, proširenog sa republičkim org. sekretarima 6 marta 1957 god.'; ²⁹⁰ 'Stenografske beleške sa proširenog sastanka Organizacionog sekretarijata CK Saveza komunista Jugoslavije, održanog 26.IX, 1957. godine'

adoption of the line from the centre, meant that new members did not necessarily become integrated in the work of the SKJ and that success was more formal than real. Moreover, there was significant regional unevenness, with the more developed republics exhibiting more obvious problems. The SK of Slovenia did not recruit enough workers while the SK of Vojvodina recruited mechanically *en masse*.²⁹¹

There was, nonetheless, agreement that the methods that the Ideological Committee had tried out over preceding years to raise the political level of members had begun bearing fruit, so it was not so much an issue of finding new methods as generalising existing ones.²⁹² The leadership judged the Party magazine *Komunist* to have been an overall success but felt that it needed to interpret international events more sharply than the daily press and to bring more concrete examples of SKJ work in organs of self-management. This implied that the actual experience of SKJ branches was still rather uneven in the two spheres the Party deemed key following the Hungarian events of the preceding year.²⁹³ Indeed, the reason for complacency in this regard had to do with the detection of a much more immediate and worrying trend for the leadership: the waste of social funds. The Organisational-Political Secretariat did not to discuss the exact proportions of what it termed a notable political embarrassment but pinpointed all too frequent festivities, spendthrift ceremonial events, networking between enterprise managers or with foreign delegations that justified extravagant meals or social occasions, and inappropriate use of company assets like cars on the part of responsible officials as a visible concern for rank-and-file workers.²⁹⁴

²⁹¹ *ibid.*, 4-8

²⁹² *ibid.*, 8-9

²⁹³ *ibid.*, 9-11

²⁹⁴ *ibid.*, 11-13

With the SKJ recovering from the malaise of the mid-1950s only slowly and unevenly, it could not be expected that the mass organisations, which acted as the transmission belt for Party policy, could perform that task. Strains indeed became visible early on as the umbrella for the mass organisations, the SSRNJ, continued to undergo serious malfunction. It had been to the SSRNJ that the EC of the CC SKJ had delegated the duty of overseeing the work of the trade union-led Committee for the Convocation of the Congress of Workers' Councils. Yet the SSRNJ leadership executed its duties in regard to the Congress with no apparent enthusiasm. A single meeting of the SSRNJ presidency considered the Congress in the run up to June and that occurred early on, in late January. The Congress was the second issue of the day on the order paper, while the press took precedence.²⁹⁵ This was despite Kardelj's assertion at the meeting that there were 'practically two months' left to organise the Congress (there were in fact technically over four months left). Some of those present responded that it would be better to postpone the Congress.²⁹⁶ On the occasion, the SSRNJ leadership left it to the Committee for the Convocation of the Congress to work out the details of the Congress but on the basis of a very detailed report read out to them by Djuro Salaj on behalf of the Committee.²⁹⁷ The SSRNJ presidency was content with oversight.

As it turned out, few organisational details brought up at that meeting changed over the following months. Furthermore, the attitude taken by those present appeared to view the Congress as a side issue. Salaj admitted he had not contacted speakers for several of the commissions that the Committee for the Convocation of the Congress had envisaged, primarily for the economic session. Kardelj berated him and asserted that it was the quality of the speakers that would make or break the Congress. Such a cavalier attitude towards

²⁹⁵ AJ 142-15, 'Stenografske beleške Predsedništva Saveznog odbora SSRNJ i proširenog Organizaciono političkog sekretarijata Predsedništva Saveznog odbora SSRNJ', 512-586

²⁹⁶ *ibid.*, 578

²⁹⁷ *ibid.*, 564-572

practical organisation, let alone the perspectives and concrete activities to follow up the Congress, which were not raised by anyone except Salaj in the briefest of sketches, was in fact suggestive not of strains but of a lack of fear that the Congress would play either a central or a destabilising role on events. The presidency simply asked to be updated in written form at a later stage about various details and in fact never went back to the issue before the Congress took place.²⁹⁸

The Congress only came to be discussed at the Committee for Social Self-Management of the SSRNJ in late February.²⁹⁹ In the name of the Committee for the Convocation of the Congress, the president-elect of the trade unions Božičević told the SSRNJ committee that it was unclear how it could help or participate in the bodies organising the Congress since it was too late and the latter had started their work. He argued instead that the best aid that the SSRNJ could give was to use its agitprop role in the forthcoming elections to the workers' councils in the spring to publicise the Congress and to help the bodies of worker management to prepare an extensive self-analysis and documentation of their work for use by higher bodies.³⁰⁰ The committee was largely in agreement with him and added little beyond practical suggestions like concrete use of the press to greater effect.³⁰¹

Revealingly, when it came to a discussion of the work of the SSRNJ committee itself over the preceding year, and its perspectives, out of the five sub-committees formed, one admitted to not even having organised a single meeting.³⁰² The situation was more dynamic but quite

²⁹⁸ *ibid.*, 574-578

²⁹⁹ AJ 142-92, 'Zapisnik sa sastanka Komisije za društveno upravljanje Sav.odbora Socijalističkog saveza na dan 28 febr. 1957 g.'

³⁰⁰ *ibid.*, 24-25

³⁰¹ *ibid.*, 25-27

³⁰² *ibid.*, 28

uneven at the republic level.³⁰³ The chief of the lawyers' association, Leon Geršković, went so far as to suggest that the committee should concentrate on the Congress and collecting information on organs of self-management in order to work out how the wider system outside the worker management system was functioning and ought to function.³⁰⁴ Some discussion followed, with Božičević suggesting that the committee subdivide and that those in charge of worker management concentrate on elections pertaining to the workers' councils and that those overlooking self management concentrate on a questionnaire and the working out of theses on the issue.³⁰⁵ While the result of the discussion was not explicitly stated, that appeared very much to have been the line followed: some discussion of how to use the information that had been gathered before the Congress finally took place at a meeting in November later that year.³⁰⁶ The Congress itself appeared to have been a secondary issue to the SSRNJ, whose structures very much seemed to be overstretched and not directly interested in the workplaces. This was an attitude that its February plenum had implicitly criticised in its resolution even as it praised the work of the trade unions since their own Congress.³⁰⁷ The preparatory materials to the plenum had in fact openly commented and criticised the apparent lack of roots in workplaces as few workers made it up the SSRNJ chain of command.³⁰⁸

By contrast, the trade union apparatus took the Congress seriously but also became very critical of its preparations. In taking on the Committee for the Convocation of the Congress, the SSJ accepted to execute such an extensive yet self-limiting mobilisation in the first

³⁰³ *ibid.*, 29

³⁰⁴ *ibid.*, 30

³⁰⁵ *ibid.*,

³⁰⁶ AJ 142-92, 'Stenografske beleške sa sastanka Komisije za društveno upravljanje Saveznog odbora Socijalističkog saveza radnog naroda, održanog 11.IX.1957 godine'

³⁰⁷ AJ 142-17, 'Zaključci plenuma Socijalističkog saveza radnog naroda Jugoslavije', 885-890

³⁰⁸ AJ 142-17, 'Materijali o organizaciono-političkim problemima Socijalističkog saveza radnog naroda Jugoslavije', 420

months of the year. In any event, its presidency in early June drew conclusions inimical to the course that had been set by the SKJ leadership several months previously. Indeed, the SSJ felt that it was vital to openly criticise the nature of the Congress in its press shortly before it took place. *Rad* ran with a front page at the beginning of June with the headline 'One-sided'. The article praised the fact that the Congress was taking place but noted its disappointment with the emphasis on the economic aspects of worker self-management at the expense of a more holistic understanding of the concept which would include the social and human aspects.³⁰⁹

This stance reflected the reasoning of the discussion at the Presidency meeting.³¹⁰ While the Congress was only the third item on the order paper and discussion around it very brief, the analysis was pregnant with deep criticisms of the worker management system. Djoka Pavlović read the main report which noted that the preparatory district assemblies in early May 'had exhibited serious deficiencies in the reports and discussions'.³¹¹ After an intervention, on the part of the organisers, the discussions tended to improve but the reports, or opening speeches, did not. Pavlović explained that most work collectives put this down to the fact that 'experts, who were removed from the collectives and workers' councils',³¹² had prepared the speeches on the basis of 'materials which they had at their disposal in the management of the enterprises'.³¹³ Consequently, the assemblies took on the character of 'economic assemblies'.³¹⁴ The intervention of political elements, 'political workers, trade union activists, Party functionaries and other higher-ranking economic officials',³¹⁵ shed more light on the functioning of the councils themselves but did not elucidate the 'socio-

³⁰⁹ *Rad*, 7-VI-1957, 1

³¹⁰ AJ 117-28, 'Stenografske beleške sa sednice Centralnog veća Saveza sindikata Jugoslavije, održane 1 juna 1957 sa sledećim dnevnim redom...'

³¹¹ *ibid.*, 20

³¹² *ibid.*

³¹³ *ibid.*

³¹⁴ *ibid.*

³¹⁵ *ibid.*

political role of the organs of management'.³¹⁶ All too frequently, the entire preparation of the district conferences and assemblies was totally divorced from the workers' councils and work collectives. Discussion inside work places, according to lower bodies of the trade unions, would only occur after the district conferences and assemblies, in the coming period of June.³¹⁷

This defect allegedly occurred because preparation took place without enough central control. Ignoring the Committee for the Convocation of the Congress, the republic or district trade union leaderships convoked the conferences and assemblies by themselves. They then took on the responsibility of educating delegates and collectives in the following weeks to bring them closer to the materials available on worker self-management as a way for compensating the exclusiveness and haste of the conferences and assemblies. This must have been why the *Rad* article remained openly critical: that was an instruction for trade union activists and functionaries in the time left before the Congress to correct mistakes. The positive note remained that workers across Yugoslavia were for the first time discussing the issue of worker self-management as a whole.³¹⁸ Indeed, Pavlović had based his breakdown on reports from Bosnia, Serbia and Macedonia, while Cazi reported on the situation in Croatia and 'a comrade from Montenegro' spoke after Cazi.³¹⁹ The latter duo did not speak at length or add much. Cazi mentioned instances where workers put forward their own candidate against the official one and won. SKJ candidates still swept the board, though, winning in '99%' of cases.³²⁰ The problem in Montenegro proved to be the inactivity of the SSRNJ, despite a meeting held specifically over the issue of its under-involvement.³²¹

³¹⁶ *ibid.*

³¹⁷ *ibid.*

³¹⁸ *ibid.*, 21

³¹⁹ *ibid.*, 21-22

³²⁰ *ibid.*, 22

³²¹ *ibid.*

Thus, while the trade union apparatus too was defective, the SSJ leadership was clearly aware of this, although it implicitly blamed the SKJ and SSRNJ for the lack of political direction. Moreover, its focus on what it might have described as technocratic deviation echoed its previous hostility to the more skilled layers and the government's inclination towards them. The SSJ evidently felt that no one provided a voice for the mass of workers and saw itself having to step up to the challenge. Hence the shrill tone of its public criticism of the organisation of the Congress: the SSJ desperately wanted the Congress of Workers' Councils to go beyond the economic worldview that it feared sections of the government were capitulating to and knew it had to put its own house in order to achieve success. Whatever happened with the Congress, moreover, an increasing frustration, in both organisational and policy terms, was emerging within SSJ ranks with the party-state.

The Congress of Workers' Councils of Yugoslavia

The Congress itself convened in Belgrade on 25-27 June 1957. Its immediate impact, as most contemporaries and historians have argued, was largely symbolic. The proceedings were designed on every level to impress and were highly formal. Just as the preparations had been more ceremonial than methodical or mass in character, so the functioning of the event itself and its reporting in the press aimed to induce enthusiasm and impress on the participants and public alike several key principles and goals. First, the press carried the pictures and texts of Tito's and Salaj's address to the 1,745 delegates who packed the trade union buildings off the Square of Marx and Engels.³²² Of those, a total of 432 got to speak,³²³ while 1,350 proposals

³²² Ašer Deleon and Ljuba Mijatović, *Kongres radničkih saveta Jugoslavije 25-27 jun 1957*, Rad, Beograd, 1957

³²³ 'Posle Kongresa', *Borba*, 29 June 1957, 1

from workers' councils flooded the Congress floor,³²⁴ over the six full sessions that followed the opening speeches. The media carried summaries for every day of the Congress. The sessions or workshops themselves were relatively evenly split and dealt with the economic framework of self-management; the relationship between the workers' councils with other institutions and organisations; the economic activity of the workers' councils; organisation and method of work of workers' councils; labour relations in the economy; and the training of producers for managing their enterprises.³²⁵ Each session had a lead off by a prominent cadre of the party-state or the mass organisations, while ministers and functionaries attended and spoke from the floor. Greetings from foreign delegates punctuated proceedings in the breaks. Finally, the Congress ceremonially voted on its resolutions, set down decisions on further work, and heard the closing speech from Salaj.³²⁶ Participants left the proceedings of this 'to history as yet unknown parliament' to enter the plateau of the square 'excited and convinced that that had been one of the most magnificent ever occasions, and that it had been an exceptionally fruitful agreement of the representatives of worker self-management'.³²⁷

Beyond the pomp and ceremony, the Congress tried to lay down some of the shared common understandings of the future direction of self-management and largely steered clear of potential controversies. The resolution of the Congress necessarily contained significant ambiguities, compromises and downright platitudes as a consequence. In the words of one of Yugoslavia's best-known historians: 'Basically, what was sought was the liberation of the enterprise from state control, through a change in the mode of the formation and distribution of their income, and the more objective determination of their responsibilities to society. The ideological-theoretical view went ahead of real changes. Nevertheless, the question of deeper

³²⁴ *ibid.*

³²⁵ Deleon and Mijatović, *Kongres radničkih saveta*, 789-790

³²⁶ *ibid.*

³²⁷ *ibid.*

changes to the system (which included expanded reproduction, planning, the market and prices, the foreign exchange mechanism) was not considered. The state still disposed of three quarters of investment funds.³²⁸

There was an unresolved tension at the heart of the project. Part II of the resolution encapsulated it in the economic sphere. In four points, it promised a more free determination of income such that the pay of individuals should be determined by their work; the realisation of a level playing field between enterprises; the strengthening of the autonomy of the enterprises such that freedom to decide on income would be proportional to productivity; and further specialisation and association of enterprises.³²⁹ How the third principle could be reconciled with the first two, even on the terms of the fourth, remained obscure. Parts III and IV only served to deepen this source of tension. Part III complicated the relationship between the enterprises and organs of state as it emphasised the need for greater democratisation of the workplaces but greater control by the organs of social self-management. Whether control could be reduced to supervision or implied active intervention remained obscure but the proposal for commune revenue to depend on personal incomes provided incentives for the latter tendency.³³⁰

Part IV in arguing for a more rational plan of production appeared to be more decisive than most sections in its echo of the government line that workers' councils had to prioritise skills and technology but contained the potentially contradictory demand that greater income differentials should be calculated according to both skill levels and productivity attained. Whether legislation should relate productivity to skills or to the difficulty of the tasks of each

³²⁸ Petranović. *Istorija Jugoslavije*, 343-44

³²⁹ Deleon and Mijatović, *Kongres radničkih saveta*, 662-663

³³⁰ *ibid.*, 664-667

individual producer was an issue that was once again fudged.³³¹ Part V dealt with democratising the workplace but inexplicably contributed to the confusion by speaking of the need to introduce uniform norms in order to allow freer distribution of income within enterprises.³³² Part VI acted as a manual for running a workers' council. It concentrated on enhancing the remit of the councils to decide on matters vital to the functioning of the enterprise but for managing boards to perform the executive functions for the councils.³³³ Parts VII and VIII recommended respectively the further development of technical education and the foundation of a scientific centre attached to the government for monitoring the work of the system.³³⁴ The latter decision appeared to go against the spirit of the Congress which was about the autonomy of self-management from the government. This was indeed a point Salaj had felt it necessary to justify just weeks before the Congress amid calls for the election of an executive body to oversee the implementation of Congress resolutions.³³⁵

With every proposal qualified and every policy constrained, the resolution risked that its moderation be confused with indecisiveness. That would have chimed badly with the fanfare accompanying the event. Yet the Congress went down in history as a landmark of the 'Yugoslav Road to Socialism'. Real moves towards change were apparent in the documents despite and the bold tone of discussions accompanied frankness about the need for judicious progress. Indeed, the debate over the wage system had not yet gone public so it was difficult to ascertain just how deep differences over policy indeed were. Moreover, since the trade unions had published a set of theses in the run-up to the Congress,³³⁶ in the same issue of the paper as their criticisms of the preparations of the Congress, and since these had represented

³³¹ *ibid.*, 667-669

³³² *ibid.*, 669

³³³ *ibid.*, 670-673

³³⁴ *ibid.*, 674-676, 676-677

³³⁵ 'Unapređivanje radničkog samoupravljanja trebalo bi i ubuduće da bude jedno od najznačajnijih područja delovanja svih društvenih činilaca: Odgovor druga Đura Salaja na pitanja redakcije „Rada“, *Rad*, 7-VI-1957, 3

³³⁶ *Rad*, 7-VI-1957, dodatak

very much the line that predominated on the conference floor, no apparent signs of friction surfaced. Participants very much represented those who had reason to support the SKJ: almost half had participated in the Communist-led Partisan movement in World War Two, more than half held positions as presidents or members of the managing boards of workers' councils, more than half again held official positions in the unions, qualified and highly qualified workers comprised close to 57 percent and those who worked in administration almost 39 percent of delegates, and roughly 40 percent hailed from enterprises employing more than 500 workers.³³⁷ Their contributions furthermore frequently manifested reform sympathies and buoyant self-confidence.³³⁸ If they did not depart from the contradictory script, this was because the contradictory script spoke to their experiences. Those workers chosen directly from enterprises, moreover, had to submit their proposals to the councils before the Congress, which indicated broad acceptance of the line among the higher echelons within workplaces.³³⁹ In all, the Congress for all its shortfalls undoubtedly impressed its participants and reinforced a shared sense of purpose in regard to the coming period of reform.

The subsequent claim, then, that the Congress represented the triumph of the reform forces was largely correct. The delegates might not have thought through all the issues to the end or voiced all their problems, let alone the problems of rank-and-file workers who had predominantly kept silent in the larger pre-Congress assemblies, but they clearly lived the experience of worker self-management and placed their faith in their leaders. In that sense the Congress had proven a spectacular success. Later idealisation of the Congress as laying down a marker for much more radical reform than came to be implemented for several years more

³³⁷ Deleon and Mijatović, *Kongres radničkih saveta*, 732-735

³³⁸ For official reports on workshop discussions see: Deleon and Mijatović, *Kongres radničkih saveta*, 911-922

³³⁹ See how this occurred on the enterprise level in: M. Bogosavljević and M. Pešaković, *Workers' management of a factory in Yugoslavia: a monograph about the "Rade Končar" works*, Beograd: Jugoslavija, 1959.

has not proven particularly persuasive. For the Congress had provided a relatively concrete action programme for legislation, agitprop and mobilisation but also a contradictory programme. Its detection of problem areas was in no small part due to the concerns of those involved in production but also the obvious success of the SSJ in that it had managed to widen the scope of the discussion in its final pre-Congress weeks. It would in fact be the tensions in practice that resulted from the implementation of this contradictory programme, and the significant departures from the programme on the part of the government, that would provoke a damaging debate and the semi-paralysed evolution and implementation of policy in coming years. This became most acute in relation to the wage debate in the second half of 1957 and the reaction to the strikes of early 1958.

From the Congress of Workers' Councils to the Strike of Trbovlje: July 1957 – January 1958

The timing of the conference to coincide with the seventh anniversary of the enactment of self-management in the Federal Assembly also coincided with the ninth anniversary of the Cominform resolution. In part, the Congress constituted a manifestation of the 'Yugoslav Road to Socialism' in defiance of, and as a mark of renewed ideological confrontation with, the USSR. Radio Free Europe's Evaluation and Research Section of the News and Information Service noted in relation to Tito's speech opening the Congress, with its obvious anti-Soviet tone: 'the workers' councils system has everywhere become the hallmark of greater or less independence vis-a-vis Kremlin...One of the first measures taken by the liberated Hungarian workers was to create workers' councils. One of the first measures of the

Soviets after crushing the Hungarian uprising was to abolish the workers' councils. The real meaning of this fact is well known to TITO, and he intends to exploit it to the utmost.³⁴⁰

Indeed, foreign relations remained the main preoccupation of the Yugoslav Communists for the latter part of 1957. This continued to leave the space more open for contestation over policy at the helm. A shift occurred in government policy as the balance of forces in the wage debate tipped in favour of Mijalko Todorović against Tempo. The exact reasons for this remain frustratingly difficult to ascertain. Tempo had spent much of 1957 on an international tour of thirteen countries in Asia and Africa looking for trade possibilities.³⁴¹ He claimed in his memoirs that he was unhappy with the draft of the wage bill and other changes to worker management that began to reach the press in the second half of 1957 and that he resisted them as head of the trade unions until a meeting 'at Kardelj's' sided with him again later in 1958.³⁴² The trade unions certainly took an oppositional and increasingly frustrated stance on the issue in public siding with Tempo, albeit not by name. For the first time since the ouster of Žujović and Hebrang around the Cominform events, there appeared to be serious contestation over industrial policy that involved clearly factional activity. These only came into full swing after the first labour strikes and only came out in the open in the recession of 1961-1962. Nevertheless, their operations became evident and crystallised around the wage debate in the latter part of 1957.

All actors agreed that the system needed to pass from profit-sharing to income-sharing. Moreover, the evolution of Yugoslav wage structures in the late 1950s was subject to much

³⁴⁰ 'Considerations Behind Tito's Speech', 27.6.1957, Open Society Archives. Accessed electronically: <http://www.osaarchivum.org/files/holdings/300/8/3/text/71-4-143.shtml> [Date accessed: 16.02.2011]

³⁴¹ Bogetić, *Nova strategija*, 169-180

³⁴² Vukmanović Tempo, *Revolucija koja teče*, 328-329

academic interest from economists. An I.L.O. report summarised, somewhat schematically, the basic novelties of the system that would take effect from 1 January 1958:

‘The current system differs from those that preceded it in two important respects. Firstly, the whole of the income is available for distribution without there being any ceiling on the remuneration of workers in any particular undertaking; it is for the collectives themselves to decide what share of the net income should be retained in the undertaking for direct investment, although they may be subject to certain obligations in this respect [namely, the reserve fund]. Secondly, the remuneration for the work of the members of the collective is regarded as an operating cost; it is considered to be simply the part of the undertaking’s income which is received by the workers after payment of other costs (operating expenses, taxes, reserves, allocations for investment, etc.). The undertaking no longer pays “wages”; nor does it have any “profits” but only a residual income, which it shares out as a remuneration for labour.’³⁴³

Such a system was revolutionary in theory because it meant that workers were free to plan the year ahead on the assumption that whatever income the enterprise earned, minus taxes, they could dispose of freely. This contrasted with the profit-sharing system where legal obligations existed for all manner of enterprise expenditures as proportions of income with a fixed proportion going to bonuses to wages at the end of the business cycle. The lack of wages in the new system symbolised the disappearance of wage labour but also raised uncomfortable questions about what would happen to the workers of those enterprises that failed to compete on the market.

It was around these two issues that the government and the trade unions began to disagree profoundly. Both appeared to accept that the system was in transition and that all manner of transitional restraints and controls needed to be in place. Characterising either side as being clearly reformist and the other conservative would have necessarily done both an injustice. Indeed, each tried to present itself as being more avant-garde than the other. Fundamentally, the government took a less adventurous approach to maximum wages but wanted to unleash

³⁴³ International Labour Office, *Workers’ Management in Yugoslavia*, Geneva: International Labour Office, 1962

the market on stragglers. It projected a steep progressive tax on income that restricted incentives and settled for a fixed low minimum personal income across industry based on the previous year's average wage tariffs as effectively a starting salary for the year to be supplemented at the end of the business cycle.³⁴⁴ The unions criticised this saying that the new system would impose a *de facto* ceiling on personal income not much above the rate for the preceding year for the more successful enterprises and in its re-introduction of a minimum wage by the back door leave workers in less efficient enterprises making less than their previous earnings.³⁴⁵ Instead, they posited a flat system of taxation that would be less inhibitive of high wages but also argued for a higher guaranteed minimum wage, tax breaks for less efficient firms and higher taxes for gains earned on account of monopoly conditions.³⁴⁶ This system in turn evidently saw higher earnings and higher consumption as the incentive, even if the cost would at least temporarily be significant state control and subsidy of the economy. Much of their proposal would be taken on in the wage system of 1961.³⁴⁷

During the autumn of 1957, the debate got heated in part because the trade unions felt that by effectively abdicating on the less technologically advanced enterprises the government had dramatically departed from the resolution of the Congress of Workers' Councils that creating a level playing field was a precondition for collective incentives to kick in for efficient enterprises. This became obvious at the meeting of the October presidency of the SSJ, which was meant to coincide with the end of the discussion period.³⁴⁸ The SSJ fought for and attained an extension for the discussion period. More than that, Veber spoke for the majority on the presidency when he argued that the progressive tax burden was an inadequate and

³⁴⁴ 'Korak ka većoj stimulaciji', in *Rad*, 4.IV.1957. 5

³⁴⁵ *ibid.*

³⁴⁶ 'Učešće plata u dohotku: Jedan predlog za diskusiju' in *Rad*, 21.VIII.1957, 3

³⁴⁷ See Wachtel, *Workers' Management and Workers' Wages*, Chapter 5.

³⁴⁸ AJ-117-5-112, 'Zapisnik V sednice Predsedništva Centralnog veća SSJ, održane 21. oktobra 1957 godine'

inhibitive way of dealing with unevenness in industry, as well as regulating the relations between enterprises and communes.³⁴⁹ Todorović responded for the government that from the standpoint of the economy, it mattered little where productivity rises came, from human or non-human labour, and that the new system did not privilege wage rises above all other factors. He nonetheless pleaded for the unions not to derail the law and accept that the government was open to technical changes; there was no disagreement in principle.³⁵⁰

Here again emerged the difference between the wage increase and cost cutting schools with the obvious implication that government had made principle concessions to the former school but that the latter school still sought to maintain overall supervision over the system even within the framework of the new. This probably overlapped with the division between those who sought to overcome the international debt trap by technological modernisation that necessitated imports of machinery and exports to pay off the loans used to purchase machinery, and those who sought to cut imports, particularly of agricultural goods, in favour of higher domestic consumption. The former would tend to favour labour-saving inducements while the latter would prefer capital-saving inducements.³⁵¹ The unions clearly fell into the latter category while the balance in the government had shifted towards the former. Since the dramatic change had followed the June EC when Tempo reported on foreign trade and debt, this must have formed the backdrop to the change in tack. Tempo was a known liberal, however, and when he had addressed the unions at the earlier plenums of the year, he had argued for labour-saving practices. His own manoeuvres on the issue therefore remain unclear and might have been motivated by personal opportunism or even government opportunism. That may become clearer following further research of government papers.

³⁴⁹ *ibid.*, 'Stenografske beleške V sednice Predsedništva Centralnog veća SSJ, održane 21. oktobra 1957 godine', 1-16

³⁵⁰ *ibid.*, 55-68

³⁵¹ Woodward, *Socialist Unemployment*, 268-269

All the same, what did emerge in the following month was increased debate in the press between these schools with *Rad* responding on 4 November to an article that appeared on 23 October *Borba*.³⁵² The article in the trade union paper attacked the author of the SSRNJ paper for ‘one-sided discussion or one-sided comments’. Namely, when the latter had spoken to a work collective that feared it would lose out according to the new system, she merely pointed out that the new system would leave 23 billion dinars more to industry, while in the first eight months of 1957 alone, households had had 8 billion more in income. Such an attitude served to illustrate that the other side did not pay enough attention to the potential chaos that collapses of supply networks and consumption would provoke for the whole economy should insufficient attention be paid to the trade union case. *Rad* kept producing discussion articles making the same points in every issue through the autumn.

The presidency of the SSJ then met again in mid-November having familiarised itself with all the materials.³⁵³ This time it tried to calm the atmosphere down by spending more space in its newspaper address explaining that it would accept the deal as it agreed with it in principle, yet it still insistently affirmed its case for changes to certain technical details. Namely, it now argued that an effective minimum wage set by time of work would increase incentives to cheat the system and re-affirmed its belief that an income divided in two parts was still a hangover from the previous wage-system. It went further to press the case for a state subsidy for the guaranteed minimum wage in those industries that would lose out according to the new system. Once again, it expressed its opposition to the progressive taxation system as a brake on productivity rises and called for careful oversight of the economy and the market, of

³⁵² ‘Jednostrana diskusija ili jednostrani komentari’ in *Rad*, 4.XI.1957, 11

³⁵³ AJ-117-5-123, ‘Stenografske beleške VI sednice Predsedništva Centralnog veća SSJ, održane 16. novembra 1957 godine’

prices and state stabilisation of the same, 'tariffs, import coefficients, etc'.³⁵⁴ The difference in tone if not the cessation of the incessant barrage had resulted from concessions that suggested that the minimum wage rates would now be calculated at three instead of just one level to vary across industries and that certain tax rates could be changed in the direction of trade union suggestions following further negotiations.³⁵⁵ While more disagreements arose, particularly over whether pensions should be determined by wage levels or skill levels,³⁵⁶ determination of income by wage and skill levels was a notable absence in the debate. Indeed, a certain compromise had been reached to use a uniform system with nine separate skill and qualification categories across all industries. Workers carried a workbook where level of skill and experience on the job determined the classification for blue-collar workers and the level of education and experience for white-collar workers. The Administrative Secretariat for Labour Relations in the commune administered the programme.³⁵⁷ The extent of collusion between enterprises and local authorities was long after a debated issue but had momentarily been eclipsed in the second part of 1957 as the trade unions took the fight to the government on several higher instances. With the economy still booming, the union assault appeared to no one strange: the government had patiently listened, conceded ground and involved the unions in comradely fashion to the very end. The Federal Assembly spent December passing the legislation that would transform the economy from the ground up.

To the heads of the state, Party and mass organisations, occupied with economic legislation and geopolitical manoeuvre, the strikes in January came like a bolt from the blue. Yet the warning signals had been coming not just from the malfunction of the transition belts but

³⁵⁴ 'Nacrt zakona o raspodeli ukupnog prihoda na sednici Pretsedništva Centralnog veća SSJ: Principi pozitivno ocenjenji – Primedbe na pojedina rešenja', in *Rad*, 21.XI.1957, 2

³⁵⁵ AJ-117-5-123, 'Stenografske beleške VI sednice Pretsedništva Centralnog veća SSJ, održane 16. novembra 1957 godine', 1-9

³⁵⁶ 'Osnova za određivanje penzija: Plate – a ne kvalifikacija' in *Rad*, 21.XI.1957, 6

³⁵⁷ Wachtel, *Workers' Management and Workers' Wages*, 102

from the miners of Trbovlje themselves. The Yugoslav sociologist Neca Jovanov provided a documented account of the leadership response to the strike at Trbovlje. He drily noted that:

'In the resolution of the economic problems of the mine, especially the wages of the miners, all the political and state factors had been involved at the level of the mine, municipality, district Trbovlje and the republic of Slovenia. For almost a year delegations from the mine and the municipality of Trbovlje visited state and political institutions seeking help in the resolution of the economic problems of the miners. The federal union and individual political and state functionaries from Slovenia who held political and state office in the federation were particularly involved. In its inability to take any further action in regard to the low wages in the mine, the mine union committee collectively resigned. Doing so, it was lodging a protest but it also wanted to absolve itself of the responsibility for the lack of solution to the economic problems of the miners. The strike was used as a last resort, since all the interventions with the state and political organs had not yielded the expected results.'³⁵⁸

The immediate cause of the strike was the fact that the mine could only pay out the equivalent of half a monthly wage to the miners as a bonus at the end of the year, while almost every enterprise in the district had been able to pay out a full bonus.³⁵⁹ With their living standards falling for the sixth year in a row, the miners had decided to strike: only some 200 had refused to stop work out of a total of 4,241.³⁶⁰ The strike only lasted three days in mid-January. Miha Marinko, a member of the EC CC SK of Slovenia, negotiated on behalf of the authorities, offering 30 percent more. The workers knew that the workers' council had

³⁵⁸ Neca Jovanov, *Radnički štrajkovi u Socijastičkoj Federativnoj Republici Jugoslaviji od 1958. do 1969. Godine*, Beograd, 1979, 131

³⁵⁹ *ibid.*, 131

³⁶⁰ *ibid.*, 130-131

decided to pay out 50 percent and gave Marinko a hard time.³⁶¹ Finally, all the state institutions involved caved in and administratively raised coal prices at the mine by 13 percent, compensated all the local actors for the losses incurred, and provided the workforce with shoes and protective gear.³⁶² This only encouraged another strike at nearby Zagorje ob Savi several days later which ended in similar fashion. A whole series of emergency union and Party meetings to calm the situation down followed in Slovenia until the end of January.³⁶³ The Party leadership duly began to fracture for the first time since the Djilas case and certainly more deeply than at any time after the 1948 split. Standing for the forces of order, Ranković decided that the legacy of the Sixth Congress needed to be challenged. He would duly make this clear at a Plenum at the start of 1958.

Conclusion

The argument of the chapter is a departure or at least a shift in relation to the historiography, which identifies the removal of Djilas from all his official functions in early 1954, as the most significant political development of the stale mid-1950s. While the removal of Djilas had certainly been disorientating, it appeared not to have been the main cause of the general confusion in party ranks that lasted throughout the 1950s. Indeed, every year, the Organisational Political Secretariat gauged the threat from '*djilasovština*' but, in an extended meeting of early 1957, insisted that workers rejected abstract discussion of a ruling bureaucracy and democratisation, with only intellectual circles attempting to organise around known 'Djilasites'. Instead, the threat to the leadership appeared more serious from potential pro-Soviet elements, as workers consistently expressed preference for wage levelling. Even when livid with the government over worsening living conditions in 1955 and 1956, workers

³⁶¹ *ibid.*, 131

³⁶² *ibid.*, 131-132

³⁶³ *ibid.*, 132-136

begrudgingly admired the country's apparent independence in the Cold War setting. The leadership consequently heaved a sigh of relief when the party line over Hungary prevailed on the shop-floor as popular enterprise assemblies met to discuss the issue. Workers, it turned out, were critical of domestic policy but distrusted the Soviet intervention in Hungary. The events of 1956, then, both struck fear into leading Communists in Yugoslavia but also provided them with a convincing narrative to keep discontent directed through official channels.

The pace and direction of reform then duly accelerated after 1956. This had in part resulted from a dire economic situation that would not have tolerated stasis. Until that point, the SSJ had represented in concentrated form the contradictions of the period. Workers, in public or through their trade union representatives, vented their frustration with their subordinate position in an economy which had begun to grow considerably. As Dyker puts it, 'the annals of industrial sociology teach us that industrial workers normally assess their *own* [emphasis in the original] production achievement in terms of output – and indeed find it difficult to cope with a situation in which high investment in those terms is not matched by correspondingly high earnings...'³⁶⁴ Without an effective method of containing anger from below or absorbing it in layers between the state apex and the population, it could only be expected that the Yugoslav leadership would seek some way of dividing the only constituency they appeared to fear as a block to their ambitions. Workers' councils, therefore, had the ironic function not only of empowering layers of workers within the workplace but legitimating the turning of one workplace against another as they competed on the market, in order to raise overall productivity. This represented an approximation towards a labour market to complement the Yugoslav Communists' ambition of playing catch-up on a world

³⁶⁴ Dyker, *Socialism, Development and Debt*, 60

scale. The new system of income sharing came to be directly linked in official discourse with the balance of payments deficit.

Nevertheless, the amphibiousness of the trade unions, rooted in the working class and in power, transformed the market-oriented mobilisation around the Congress of Workers' Councils and after that around the new five-year plan and the new wage system into another challenge to Communist authority. This strengthened conservative and centralist elements in the party-state for the first time since 1948. Through the period, although the market reform coalition had been dominant, its political foes had metamorphosed in response to conditions in the country. In the first period, a radical wing arose from within the reform movement, only to semi-consciously transcend the boundaries of the system and turn to liberalism and eventually the West. In the second period, union populism in addition to major economic imbalances made it difficult for the market reform wing to regain control of the shop-floor, leading to a slow departure from the hybrid system of the mid-1950s in terrain defined by resistance from below. In the third period, the market reform wing just managed to avoid a Hungarian scenario in Yugoslavia but encountered a new foe in the return of the revanchist centre reluctant to let go of its long-held privileges and certainties. With the self-management sector still struggling to make an impact on the political scene, the market reformers would have to look elsewhere for a base from which to overwhelm the centrist reaction following the strike of Trbovlje.

Chapter 3 – Workers’ Self-Management, the Market, and the Return of the National

Question

It was the strike in Trbovlje, rather than the recession of 1961-1962 that ‘acted like a chemical precipitant on a Yugoslav political establishment within which evanescent factions on specific issues had formed and dissolved for...years without clear or enduring divisions’,¹ and that created a factional atmosphere in the SKJ, which lasted until the removal from all posts of Kardelj’s arch-rival for succession, Ranković, in 1966. This chapter concentrates on the formative period of the faction fight from the extended Executive Committee meeting in February 1958, following the Trbovlje strike, to a second such meeting in spring 1962, following the open conflict resulting from the recession, and the Fourth Plenum in 1962, providing a fraught compromise that plagued the SKJ until 1966. The sheer complexity of events, bewildering array of actors, and unavailability of key documents make an assessment of the entire factional struggle difficult within the framework of this thesis. Nevertheless, observers have frequently taken the political summits of 1962 to be a turning point, albeit without agreeing about which wing had taken a decisive step forward: put simplistically, the reform wing under Kardelj or the conservative wing of Ranković?² Various variations also exist over how to interpret the exact character of the groups, the former being generally taken as more liberal, market-oriented, democratic and decentralist, the other more conservative, administrative, autocratic and centralist.³

¹ Rusinow, *Yugoslav Experiment*, 112

² Pronouncing for Ranković, Carter, *Democratic Reform in Yugoslavia*, 13-14, and Lendvai, Paul Lendvai, *Eagles in Cobwebs: Nationalism and Communism in the Balkans*, Anchor, New York, 1969, esp. 187; pronouncing for Kardelj, Shoup, *Communism and The National Question*, 210 and Bilandžić, *Historija Socijalističke Federativne Republike Jugoslavije*, 294-295; Rusinow argues Tito changed his mind frequently between the factions but ended up on the side of Kardelj, *Yugoslav Experiment*, 123

³ For the classic statement, see Rusinow, *Yugoslav Experiment*, Chapter 4.

Despite the publication of the materials of the Executive Committee meeting of 1962 in the late 1990s, observers outside the former Yugoslavia continue to refer to the ‘rumours circulating that “Serbs and Macedonians were at pistol point” and that there were “threats by Slovenians to secede”.’⁴ By contrast, post-Yugoslav historians with access to the documents take a more sanguine view, arguing Tito moderately sided with the reform group and weaving the leadership debates at the meeting into the narrative which has come predominantly to be seen as the struggle between centralisation and decentralisation.⁵ While it is undoubtedly true that this was the overall trend, this chapter re-interprets the formative stage of the faction fight in terms of the mobilisation behind the market reform coalition’s manoeuvres against the emerging conservative faction, contributing to the understanding of the nature of political conflict over the entire period in several important ways.

First, the chapter notes that both factions were more diffuse than the centralisation-decentralisation binary suggests. The reform inclination appeared to include all those who resisted statist economics in favour of at least three variations: decentralised markets, a single market, and redistribution without centralism. This did not necessarily exclude political centralism. The conservative inclination also appeared more diverse, certainly containing political centralism, but also economic centralism, integral cultural Yugoslavism, and even Serbian nationalism. Second, the chapter locates the dynamics behind the move from central or federal initiative to initiative with significant and unauthorized regional dimensions in the failure of either side to win a swift and decisive victory, as much as any programmatic preference by either side for the one or the other principle. More specifically, it argues that the relative weight of the actors in the market reform coalition changed. The unions

⁴ Shoup, *Communism and the National Question*, 210, cited in Swain, *Tito*, 141

⁵ On respectively the Slovene, Croatian and Serbian variations on the theme: Božo Repe, ‘Utrinki iz Bližnjega Leta 1962’, in *Teorija in praksa* 26/11-12 (1989), 1498-1511. And 27/1-2 (1990), 224-231; Dušan Bilandžić, *Hrvatska Moderna Povijest*, Zagreb: Golden marketing, c1999, 33-51; Ljubodrag Dimić, *Istorija srpske državnosti, Srbija u Jugoslaviji*, Novi Sad: Srpska akademija nauka i umetnosti, 2000- 2001, 367-375.

proceeded as the battering ram for market reform until 1962 but the republic government in Slovenia became its bastion after the Executive Committee meeting failed to break the deadlock. This signified the waning of an all-Yugoslav actor at the expense of a regional one within the market reform coalition. The unions in fact faced decentralisation themselves as part of the conservative attempt to weaken the all-Yugoslav basis of the reform coalition. That in turn contributed to the weakening of the political power of the centre, and implicitly its diffusion towards the less developed republics, surely an unintended consequence of the conservative stand in the federal centre. Third, and concomitant, this chapter suggests that the leadership saw economic centralisation and continued political centralism as a position acceptable temporarily for everyone. Thus, the account presented here de-privileges personalities in the struggle, especially the part played by Tito, whose role was as often that of the arbiter as that of the reluctant reformer or frustrated conservative.

It is difficult to reconstruct this process in detail given the abrupt discontinuation of archival materials for the Socialist Alliance and the trade unions in 1959-60, the lack of governmental materials, the paucity of meetings of central Party bodies, and the undoubted fact that much of what occurred in this period continued to play out via informal paths rather than formal channels. The chapter therefore emphasises the contrasts between the position in 1958, especially at the meeting following the Trbovlje strikes, and 1961-1962, the latter reconstructed largely on the basis of the extensive discussions of the Executive Committee. Cursory reconstruction of policy towards the shop-floor from these materials and secondary sources serves to suggest that this issue became subordinate to the wider struggles over development policy. The focus, therefore, moves decisively upwards, as, in this period, self-management became the watchword for the reform coalition, from the unions to the Slovene

leadership. Its connection to the world market, by way of the Slovene reform wing in particular, came to be ever greater.

Part I – The Strikes and the Beginning of the Faction Fight

The Executive Committee met to discuss the Trbovlje strike on 2 February 1958 in expanded setting attended by republic leaderships as well.⁶ Despite an overall atmosphere demanding they maintain a composed air, the leaders of the party showed jittery nerves. Their meeting concluded with a decisive vertical restructuring of party-state affairs but behind the scenes there was a sense of lack of clear direction. This had in large part resulted from the leadership's neglect of the domestic front for almost a year and a half. In the meanwhile, a division of labour had reinforced different interpretations of reality and certain tendencies began to group together in ways that they had not done before. Ranković felt confident that he could impress his party-oriented view on affairs and to a considerable extent the letter drafted by the Executive Committee for all its organisations at the Plenum bore the imprint of his thinking. In fact, his intervention at the Executive Committee meeting followed closely on Tito's and it was he who read out the conclusions of the meeting at the end. Yet his position did not command hegemony in the SKJ leadership. Everyone agreed on the need to re-establish top-down political methods in the coming period but some speakers emphasised economics more than politics. While the resolution and letter only spoke of political issues, the personnel changes decided shortly after and the overall tone of the historic Seventh Congress months later resoundingly reinforced Kardelj. Beneath the surface, the divisions exhibited at the Executive Committee began to deepen.

⁶ AJ 507-III/7, 'Stenografske beleške sa proširene sednice Izvršnog komiteta Centralnog Komiteta SK Jugoslavije održane 6. februara 1958. godine u Beogradu'

One of the rising stars of Yugoslav politics, a teenage partisan during the Second World War, a reformist in the 1960s, and later a disgraced co-leader of the 'Croatian Spring' in 1970-1971, Miko Tripalo, noted the divisive atmosphere around the Trbovlje events in his memoirs:

'The conflict with Ranković, although of a principle nature, was not freed of elements of the battle for succession. The two closest collaborators of Tito were E. Kardelj and A. Ranković. They did not speak to each other for long periods of time, except on official business. The hierarchical jealousy between them was easily noticeable. When I was at Ranković's during the famous strike at Trbovlje, Tito called him by telephone and spoke to him. Ranković commented on their conversation thus: "Right, when something needs to be explained theoretically, then comrade Bevc (as they often called Kardelj) is here, but when it is necessary to dirty one's hands, you go Marko [Ranković's nom-de-guerre]!" Tito had asked Ranković to personally take charge of the "pacification" of several thousand miners in Trbovlje.'⁷

Indeed, the asides between Tito, Kardelj and Ranković at the meeting of the Executive Committee made it explicit that they had discussed profusely in preceding days and that they disagreed on the interpretation of events. Tito certainly shared the general consensus that politics needed to be reaffirmed. He was careful to strike populist notes in criticising the state of affairs, pointing out that he did not accept that the problem was economic, given economic growth in the preceding year, but rather political. Higher bodies had to take responsibility since they did not provide clear guidance, pay close attention to the field or react quickly enough to problems.⁸ Tito combined elements of top-down control of party and state work,⁹ administrative and populist measures like the abolition of bonuses for directors,¹⁰ and democratic and populist measures to press the directors and local bureaucrats from below,¹¹ in an evident appeal to the highest and the lowest orders to sandwich those in between. Tito even adopted the words of the Trbovlje miners, pointing out he was not for wage equalisation

⁷ Miko Tripalo, *Hrvatsko Proljeće*, Globus, Zagreb, 1990, 69-70

⁸ AJ 507-III/75, 'Stenografske beleške sa proširene sednice Izvršnog komiteta Centralnog komiteta SK Jugoslavije održane 6. februara 1958. godine u Beogradu', 1-3

⁹ *ibid.*, 13-14

¹⁰ *ibid.*, 9

¹¹ *ibid.*, 5, 10-11

but the workers were correct: 'All our stomachs are equal!'¹² He nonetheless addressed Ranković in an obvious continuation of a conversation from before the Executive Committee meeting:

'I would not, Marko, want to say that we had not been fortunate in calling the Party the League of Communists...But what can we do, that's how it turned out. Maybe that is what created interferences and confused many people. Yet, right now comrades, in the phase of the decentralisation of social [self-]management, the complexity of tasks and responsibility of Communists are now greater than they were before the war, during the war or immediately after the war.'¹³

Instead, what was necessary was the strengthening of the party from below, a shake-up of the unions, and the continuation of selective administrative measures in the economy 'which may last a few more years',¹⁴ for it was wrong 'to idealise the law of value':¹⁵ if France could try people for price hikes and England could directly and indirectly control prices, there was no reason for the Yugoslavs to be different, Tito concluded.¹⁶

Ranković followed soon after. His own tone was graver than that of most speakers, simultaneously accusatory and defensive. Calling the events of Trbovlje 'serious warning' which 'should make us reflect deeply on our entire work',¹⁷ he still refused to accept that the party had failed; it had been the Sixth Congress that had caused disorientation whose traces could still be felt despite improvement.¹⁸ Instead, he asserted it was abnormal for comrades to pass laws and expect these to be implemented: in not so many words, he had used Yugoslav code to accuse those in the state apparatus of 'bureaucratism'. It was the lack of a line in important issues that caused wandering.¹⁹ This then prevented decisive action against

¹² *ibid.*, 9

¹³ *ibid.*, 12

¹⁴ *ibid.*, 15

¹⁵ *ibid.*

¹⁶ *ibid.*, 21-22

¹⁷ *ibid.*, 24

¹⁸ *ibid.*, 25-26

¹⁹ *ibid.*, 27

bureaucratic behaviour from below.²⁰ Too many comrades, he intimated, were becoming acclimatised to the state apparatus and were forgetting the party: at the level of government, the federal assembly and the republics. Tito interceded to affirm support throughout.²¹

By contrast, Kardelj spent much time setting the Party in a broader context, without ignoring the need for reasserting politics and the Party. This could not but be disagreement with Ranković. Kardelj began by recounting and criticising the Slovene Party's response to the strike, given that as a Slovene he had addressed the Slovene Party's Executive Committee, an intervention Tito had praised, perhaps in order to signal his support for Kardelj.²² All the same, he argued that the strike had been a symptom of a wider and deeper problem. Kardelj said about the Sixth Congress, to begin with, '[i]n the conditions of that time, under the attack of the Cominform and Stalin, a confrontation with our preceding weakness could not be postponed. Nevertheless, it is a fact that even after, when we gained experience and frequently understood correctly what needed to be done and saw where the weaknesses in the new system were, we were too slow...to organise according to the experiences we gained in our work.'²³ Here, the blame was on the subjective rather than objective nature of the reform, a swipe at Ranković. Kardelj went on for most of his speech to discuss issues other than Party weaknesses, although he did, towards the end of his speech, emphasise that he agreed with 'what comrade Tito and comrade Marko said' about the Party.²⁴ The thrust of Kardelj's speech was certainly centralist but in the broader sense than the Party. He argued that bureaucratisation had beset the process of democratisation, such that it amounted merely to decentralisation of bureaucracy and demagogy;²⁵ he lamented that bureaucratisation in the

²⁰ *ibid.*, 28

²¹ *ibid.*, 29-32

²² *ibid.*, 2

²³ *ibid.*, 50

²⁴ *ibid.*, 62

²⁵ *ibid.*, 52

centre and the periphery also caused chauvinism, saying secret service reports had it that Slovene officials in Ljubljana accused Kardelj of centralism and Serb officials in Belgrade accused him of Slovene nationalism without Communists reacting;²⁶ he thought the Federal Assembly should look more downwards than upwards;²⁷ he favoured stronger central control of finances;²⁸ and he contradicted Tito that bonuses provided good incentives but could be easily controlled by administratively imposing ceilings.²⁹

Kardelj also signalled continued struggles in the self-management sector. In the course of discussion of the new system, Kardelj argued that in the new income model, where workers would get to decide how to use enterprise money before the state could tax it away, the unions played a more important role in the struggle for socialist consciousness than they did before.³⁰ Even as Tito had lambasted the union leadership for acting like a second Executive Committee,³¹ Kardelj said that the union cadres had to be second best only to Party cadres.³² Their task was to smooth out the inaccuracies in the system, to find where anomalies created disparities in wages, as between old and new mines that had caused older collectives to be paid less than new collectives based on 'peasants workers' because taxes on new machinery allowed for the disparity, which had caused the explosion at Trbovlje.³³ The Committee took no decision in that regard but it signalled what the unions would end up doing and frequently in tension with the party-state apparatus.

²⁶ *ibid.*, 54-55

²⁷ *ibid.*, 59

²⁸ *ibid.*, 60

²⁹ *ibid.*, 62

³⁰ *ibid.*, 58

³¹ *ibid.*, 3

³² *ibid.*, 63

³³ *ibid.*, 37, 58

Most of the rest of the discussants did not appear to take sides explicitly, even though differences had come to the fore in the inner leadership. Most agreed that political control needed to be strengthened. Still, some level of difference in nuance occurred at first. Speaking early, Croatian strongman Bakarić, sometimes credited with being the strategist behind the reform coalition,³⁴ agreed that too much attention was being paid to economics and not enough to people. Bureaucratic cliques were forming locally and showing disdain for workers and higher government alike.³⁵ Bakarić even mentioned there had been a strike in Zagreb as well but that it had been dealt with even before it had reached the republic leadership. He explained that the economic situation was improving making it difficult for major political problems to arise.³⁶ Veselinov, although apparently more conservative and worried about foreign cultural influences,³⁷ contradicted Tito arguing that bonuses had proved useful in agriculture and industry, that the system functioned but that the subjective factor was to blame for problems.³⁸ Stambolić, a Serb like Veselinov, citing Kardelj's recently re-published pre-war *magnum opus* on the Slovene national question,³⁹ argued that despite all the problems with localism and chauvinism, it would be wrong to underestimate the dangers of centralism.⁴⁰ Tito did not let Marinko from Slovenia get away with too much criticism of the lower echelons, though, demanding more self-criticism of the republic leadership.⁴¹

On the other hand, the leaders that Tito did push into speaking later on emphasised openly conservative stances. Djuro Pucar from Bosnia averted to the national question:

³⁴ See for more: Rusinow, *Yugoslav Experiment*, 159, ff. 29

³⁵ 'Stenografske beleške sa proširene sednice Izvršnog komiteta...', *op.cit.*, 23

³⁶ *ibid.*, 24

³⁷ *ibid.*, 20

³⁸ *ibid.*, 22

³⁹ Edvard Kardelj Sperans, *Razvoj slovenačkog nacionalnog pitanja*, Kultura, Beograd, 1957

⁴⁰ 'Stenografske beleške sa proširene sednice Izvršnog komiteta...', *op.cit.*, 43

⁴¹ *ibid.*, 39

'I would like to turn in a few words to that which comrade Tito has drawn our attention, namely to the stance of the Slovene comrades in regard to certain decisions of the Federal Executive Council and its apparatus. At the last meeting, comrade Marinko suggested that at one of the following sessions, the question of the relations between the republics should be considered, that our brotherhood and unity was under question. Comrade Marko stood up against that stance, that it is not like that, that it is an exaggeration, but it was not decided we should not have this meeting. Nevertheless, it has come to such a meeting today. I believe there are reasons why the comrades in Slovenia are putting this problem to the fore, but these reasons are not clear to me even today.'⁴²

Djuro Pucar went on to argue that the Slovenes had been against the Five-Year Plan and the budget, which they felt squeezed them hard, they were reluctant to come to various meetings claiming they were arrogantly dealt with, and now there had been a strike: 'that which occurred at Trbovlje was at the very least tolerated or viewed as benevolent'.⁴³ He then went on to accuse the federal government of often being too economically oriented and not looking at the political effect of its policies, with a conference of city representatives arguing with Kardelj that housing benefit should not be dropped, only to be ignored.⁴⁴ He concluded that government needed to be more people-oriented and flexible.⁴⁵ Speaking just after Djuro Pucar, Lazar Koliševski, from Macedonia, similarly attacked over-reliance on economics and implicitly attacked the Slovenes. He stressed the bad situation in several hundred Macedonian enterprises, where wages were not regularly paid or were paid at only three fifths of the rate, and where the workers were only inheriting the bad investment decisions of before, but also echoed Djuro Pucar over housing shortages.⁴⁶ He explained: 'I think that in a certain way in this situation and generally in our economy the theory of autonomism by our economists has contributed [much]. In that regards is also the absolutisation of the law of value. I think this has repressed the subjective factor...'⁴⁷ Both Djuro Pucar and Koliševski emphasised the

⁴² *ibid.*, 86, the meeting referred to in Djuro Pucar's speech appears not to have survived.

⁴³ *ibid.*, 87

⁴⁴ *ibid.*

⁴⁵ *ibid.*, 88

⁴⁶ *ibid.*, 88-89

⁴⁷ *ibid.*, 89

popular reactions to various policies or shows of wealth by local bosses or officials.⁴⁸ Koliševski even challenged the idea that elected officials should be paid high wages since it turned potential candidates into careerists.⁴⁹ Similarly, when Tito berated Djuro Pucar over cadre policy and inability to impose discipline on the apparatus, saying 'there is no authority', Djuro Pucar retorted that union positions had no prestige, hence no one went to take a union position, even for money.⁵⁰ Material incentives, then, could not simply substitute for moral incentives even after the passing of the mass mobilisation campaigns in 1953.

The lone, at time shrill, voice of the idiosyncratic Tempo also stood out in the Executive Committee. He asserted that he alone had been warning of catastrophe since June during preparations for the five-year plan and that the problem was too little economic expertise rather than too much.⁵¹ His speech largely backed administrative measures to keep non-productive expenditure and imports generally down for fear of the worsening balance of payments problem,⁵² he railed about lack of incentives for skilled workers but too much for directors,⁵³ and he called for more political accountability and discipline from the centre.⁵⁴ This could have been confused for a conservative speech, yet its focus on the problem of labour productivity singled Tempo out as a maverick. He was clearly frustrated by the turn of events and in his memoirs he argued that the income sharing system was too hamstrung to succeed but that it had been devised in his absence.⁵⁵ It was also around this time that the leadership must have been thinking about personnel changes and perhaps Tempo had sensed he would be moved. His memoirs certainly showed a level of disorientation in that regard.⁵⁶

⁴⁸ *ibid.*, 85, 89-90

⁴⁹ *ibid.*, 93

⁵⁰ *ibid.*, 85

⁵¹ *ibid.*, 64-65

⁵² *ibid.*, 66-73

⁵³ *ibid.*, 72-73

⁵⁴ *ibid.*, 74-76

⁵⁵ Vukmanović Tempo, *Revolucija koja teče*, 222-226

⁵⁶ *ibid.*, 319-322

All the same, his stance on the Executive Committee and his appointment not long after to head the trade unions promised to intensify the fissures so clearly opening at the top of the SKJ.

The Executive Committee issued a Circular Letter following the meeting. Its focus was conservative: populist and political. Observers did not detect the impromptu appearance of the national question among the leaders. Indeed, that element had been only one in a plethora in the debate, suggestive of potential flash points in the future. The immediate period was, however, defined by the spirit of the Circular Letter, which took on somewhat more of a public role than several preceding Party Plenums. Its thrust was against bureaucratism, from above and below, but it attacked the latter, which was more pronounced.⁵⁷ It attacked technocratism and the belittling of political work, yet it argued that socialist democracy demanded greater political ability and responsibility.⁵⁸ This did not sidestep the organs of workers' self-management. The letter continued that '[i]n many enterprises individuals or managerial groups undermine self-management, decisions are taken arbitrarily, whether by-passing the institutions of self-management, or with their formal agreement, criticism is suffocated, workers who criticise are mistreated by being sent from errand to errand, or by being fired.'⁵⁹ Leading officials were guilty of being 'insensitive to the life of the people'.⁶⁰ While the economy would solve some of these issues in the longer term, local leaderships had the obligation to soften the blows of market imperfections on the masses.⁶¹ The Letter also condemned the appearance of privileges, corruption and cronyism.⁶² It continued that central controls would occur to check up on local governments but also urged unions to fight from

⁵⁷ AJ 507-III/75, 4

⁵⁸ *ibid.*, 5

⁵⁹ *ibid.*, 6

⁶⁰ *ibid.*, 7

⁶¹ *ibid.*

⁶² *ibid.*, 9-11

below for correct wage policies, deformations to which were causing 'justified' anger.⁶³ Localism and chauvinism, too, made the list of negative phenomena.⁶⁴ Moving on to the Party, the Letter argued that the educational role instituted by the Sixth Congress was understood one-sidedly and Communists needed to learn teaching by example. Disciplinary measures were on the horizon for those who misunderstood.⁶⁵ The last section enumerated again all the measures the Party needed to take from top to bottom to ensure the Letter made its way into the life of the organisation.⁶⁶

The Letter was a signal that business as usual was over. Duly, the Party press started a campaign around the Letter and '[a] rash of expulsions from the Party was accompanied by much public confessing of error, ostentatious giving up of automobiles, removals from swank apartments, reconsideration of pay schedules and unhoarding of funds stashed away for questionable purposes. The Federal Executive Council issued additional regulations strictly defining who could use automobiles and for what, and the Federal Wage Scale Commission began an inquiry preliminary to issuing a uniform criterion for wages'.⁶⁷ This array of initiatives greeted the spring Congress of the Party raising greatly its profile and the aura of expectation surrounding it.

Delayed by the events surrounding the fortieth anniversary celebrations of the October Revolution in Moscow, and the international tensions arising from the Yugoslav refusal to sign the Soviet-sponsored Declaration, the Seventh Congress of the SKJ punctuated the prospective social plan for 1957-1961 but acted as its belated inauguration. As most manifestations of its nature, the Congress projected positions that carefully equilibrated the

⁶³ *ibid.*, 11-13

⁶⁴ *ibid.*, 14

⁶⁵ *ibid.*, 16-20

⁶⁶ *ibid.*, 20-23

⁶⁷ Hoffman and Neal, *Yugoslavia and the New Communism*, 203

balance of forces in the leadership. The Tito-Kardelj tandem continued to set the overall direction but was nevertheless cautious not to antagonise the group vocally coalescing around Ranković in the wake of the first labour strikes that had broken out at Trbovlje just months before the Congress. As much of the material had been prepared before open tensions had erupted on the Central Committee, the task of codifying the 'Yugoslav Road to Socialism' had in fact faithfully reflected the overall tendencies prior to the outbreak of the first post-war strike wave. Perhaps the bold declaration at the end of the new Programme adopted at the Congress best encapsulated the confidence and pride of the SKJ leadership: '[n]othing that has been created should be so sacred to us that it cannot be transcended and superceded [sic] by something still freer, more progressive, and more human.'⁶⁸

There had indeed been and continued to be reason for optimism. Economic growth had accelerated following the brief recession of 1956 and would continue until late 1960. In fact, the second five-year plan would be completed one year ahead of time. Living standards rose with consumer goods production improving in quantity, diversity and quality.⁶⁹ Despite a general lag and inefficiency in utilising financial aid from the budget, the underdeveloped republics received investment amounts equal to or possibly exceeding the planned rates.⁷⁰ Increasing numbers in industry showed an interest in worker councils and participated in the organs of self-management, worker councils met more frequently and considered an ever more sophisticated range of issues, and rank-and-file responses to party-state initiatives became more affirmative and stable.⁷¹ Problems, however, continued to simmer under the surface. A strike wave took off in 1959 with 150 strikes occurring in the country, and although this number fell to 105 and 106 in 1960 and 1961, the number reached its peak in

⁶⁸ *The Programme of the League of Yugoslav Communists*, Edition Jugoslavija Beograd, Belgrade, 1958, 270

⁶⁹ Sirc, *The Yugoslav Economy*, Chapter 5

⁷⁰ Paul Shoup, *Communism and the Yugoslav National Question*, 235

⁷¹ Comisso, *Workers' Control Under Plan and Market*, Chapter 3, esp. 56-66

1962 with 225 workplaces experiencing stoppages.⁷² Most involved anger pertaining to wages.⁷³ Thus, growth continued to be positive but uneven, providing the terrain for the continuation of the viability of the combination of economic and political methods in the late 1950s.

Part II - Self-Management Economics, the Politics of Mobilisation and the State

Following the February 1958 meeting of the Executive Committee, the gulf between the Kardelj and Ranković camps only continued to grow. This did not immediately become obvious, however, since the positive trends in economic growth made it appear that disagreements could be pursued without significant implications for the everyday administration of the country. The SKJ leadership therefore began to ossify and rarely met. The Central Committee met only three times between 1958 and 1962. The Executive Committee met somewhat more frequently to discuss issues relating to national minorities, the organisation of a party school, foreign affairs, the recession and the first draft of the new constitution that would be adopted in 1963. Only then did the extended meeting in spring take place with its divergence of opinion. It was, meanwhile, as part of the reconstitution of the party apparatus that occurred at the Seventh Congress, the reorganised Organisational Secretariat that began to play an ever more active role in daily SKJ activity. It held 57 meetings in these years under the leadership of Ranković who was its secretary. The official party history identified the Organisational Secretariat as the centre of the conservative faction. The Committee continued to direct the party in top-down fashion, which was in the spirit of Ranković's repeated attacks at the February 1958 EC meeting on the legacy of the Sixth Congress. The conservatives were widely known to regret the confusion provoked by

⁷² Jovanov, *Radnički štrajkovi*, 96

⁷³ *ibid.*, 97-87

Tito's phrase in 1952 calling for 'the withering away of the party'. With the SKJ their rock of legitimacy, the conservatives placed an increasing emphasis on politics and democratic centralism to attain their goals. Indeed, the number of full time staff in the mass organisations in this period roughly doubled from 6525 to 12826 paid workers.⁷⁴

The conservatives appeared in this regard to find a moderate ally in Tito, who also maintained a significant attachment to the SKJ as a unitary actor on the political scene. Nevertheless, Tito was much less ambivalent about the reform programme than has hitherto been appreciated. He in fact spoke from reformist positions at the Seventh Congress just months after the first showdown between Kardelj and Ranković on the Executive Committee.⁷⁵ This was the case in the spheres of both politics and economics. Despite lamenting the Djilas deviation as symbolic of the disorientation caused by the change of methods decided at the Sixth Congress, Tito emphasised the need to continue to see socialist democracy as the central gain of the period.⁷⁶ More than that, economic change remained a priority despite the hiccups associated with the wave of strikes sparked by Trbovlje. Two issues in particular came to the fore: the nominal shift from production to consumption as the driver of economic policy, and the shift from heavy to light industry and agriculture. Indeed, careful compromises had inspired the five-year plan such that the changes in the structure of investment away from heavy industry to light industry and agriculture had inspired a popular belief that the 1957-1961 plan had been considerably tailored to the interests of Serbia.⁷⁷ Still, before turning to agriculture, Tito spoke of coming challenges to industrial policy in tones that had a reformist ring to them:

⁷⁴ *Istorija Saveza komunista Jugoslavije*, Komunist, Beograd, 1985, 422

⁷⁵ *VII Kongres saveza komunista Jugoslavije, Ljubljana 22-26 April, Stenografske beleške*, Kultura, Beograd, 1958, 23-90

⁷⁶ *ibid.*, 52-57

⁷⁷ Todor Kuljić, *Tito: sociološko-istorijska studija*, 2nd ed., Zrenjanin: Gradska narodna biblioteka "Žarko Zrenjanin", 2005, 257

‘But in our industrial production there are still many weaknesses, such as: idle capacity in new factories and the tradesman-like production of some of our modern enterprises, which greatly increases the costs of production; the resistance on the part of some enterprises to cooperate with other related enterprises on the basis of co-operation; slow reconstruction, expansion and modernisation of old enterprises; the still insufficiently efficient solution of the new wage system, which has a de-stimulating effect on the productivity of labour. If we seek from our workers that they raise the productivity of labour, then we have to accept that that does not depend on them alone. Someone has to create the conditions for them, and that depends on us, ourselves.’⁷⁸

While Tito certainly spoke in terms general enough to be palatable to all, mixing the reformist and conservative messages, this statement clearly took the side of the reform wing on the wage issue. Since there had been an open split between the trade unions and the government regarding wage tariffs and their application, Tito’s explicit dissatisfaction with the state of affairs was a coded go-ahead for the trade unions to initiate a guerrilla war against the state-driven tariff system in favour of their own model. The concrete disagreement revolved around whether job description or skills qualifications should determine the new tariffs on the basis of which the minimum wage would be calculated. The former, according to the unions, left too much space for misuse through misclassification. The whole point of the reform had been to tie ever more closely rises in wages with rises in productivity. Duly, the unions won the round by the autumn of the same year as the majority on the Executive Committee agreed that qualifications ought to form the basis for the tariffs and thereby legitimated the intransigence of the SSSJ.⁷⁹

Wider issues were at stake, however. One historian identified the major dividing lines when he noted that despite income sharing becoming the principle according to which worker councils decided remuneration in an enterprise, in conjunction with the unions and local government representatives, the minimum wage and progressive taxation limited the scope

⁷⁸ *VII Kongres saveza komunista Jugoslavije*, 61-62

⁷⁹ AJ 507-III/81, ‘Zapisnik sa proširene sednice Izvršnog komiteta CK SKJ održane 23 septembra 1958 godine u Beogradu, Beograd, 25 septembra 1958’, 12

for the new system to change the behaviour of work collectives. Whereas in theory, work collectives could pursue profit maximisation, in practice taxes recouped substantially higher income gained by a firm on the market. The SSJ proposed a new tax system which 'should be limited to (1) the existing capital tax on the book value of "socially owned" fixed and working capital, at variable rates by economic branch, (2) a turnover tax designed exclusively to appropriate income based on monopolistic positions, (3) a rent to be paid for privileged access to scarce natural resources, and (4) proportional rather than progressive taxes levied against net income to finance public administration, defence, the health service, education, etc.'⁸⁰

With this began a long struggle which ended in 1961 with another compromise that proved unworkable. Some inkling as to the extent of the divisions at the top had emerged from the memoirs of the Tempo who spearheaded the reform effort from within his new base in the trade unions where he succeeded Djuro Salaj.⁸¹ The man Rusinow had described as 'an eager primitive spirit and self-confident economic illiterate' became also the man who turned the trade unions into 'the first essential, if seldom recognised, ally of the liberal faction in the Party and then its nascent critic and even potential rival.'⁸² Historians have treated his autobiography with reservations⁸³ but his overall account appears to have been borne out and in fact superseded by the archival evidence, even though gaps and doubts remain about particulars.⁸⁴

⁸⁰ Rusinow, *Yugoslav Experiment*, 116

⁸¹ Vukmanović Tempo, *Revolucija koja teče*, 326-329

⁸² Rusinow, *Yugoslav Experiment*, 115

⁸³ Marković, *Beograd*, 21

⁸⁴ Rusinow clearly relied on the memoir in his account of the period but quoted it sparingly. *Yugoslav Experiment*, 116-117

The minutes of the long-secret extended meeting of the Executive Committee in spring 1962, and particularly his own speech,⁸⁵ confirmed the main thrust of the allegations Tempo made in his memoirs about the support that Tito and Kardelj gave him during the struggle for reform,⁸⁶ as well as about the existence of a Serbian faction in the SSJ leadership led by Dragi Stamenković that obstructed his efforts.⁸⁷ Only his allegation of a direct clash with Ranković after a meeting of the EC (presumably in 1958) did not receive direct confirmation anywhere.⁸⁸ The stenograph therefore revises considerably the role of Tito in particular in the reform effort by confirming his reformist as opposed to his alleged conservative preferences. More dramatically, the trade unions emerge as the key dynamo of change and the force that compelled the nascent conservative wing to begin to coalesce and come out in the open.

The stenograph of the meeting, though, is not the only document that unhinges much of what Tempo hinted at. For the changes that he instituted in the functioning of the trade unions contributed decisively to the growing success of the liberal reform wing in the SKJ. By strengthening vertical decision-making at the same time as harnessing the drive of wider groupings and forging new alliances through opening the structures of the SSJ, and converting the SSJ more permanently into a shadow policy-making forum, Tempo transformed the trade unions into a two-track operation that acted as both a transmission belt for the SKJ and also as a dynamo for new social forces entering the political sphere from below. This accelerated the process of giving elites at lower instances of the party-state greater autonomy to effect change without having to resort to regional power games, direct political activity or independent organisation that would in effect have challenged the rule of

⁸⁵ The stenograph of his first intervention at the extended meeting of the EC in March 1962 made this clear: AJ 507, III/88, 14-16.III.1962, 48-80

⁸⁶ *ibid.*, 52-56

⁸⁷ *ibid.*, 53-54

⁸⁸ The allegation can be found in Vukmanović Tempo, *Revolucija koja teče*, 337

the SKJ. The trade unions then began to revamp the body politic before the new constitution adopted in 1963 sanctioned greater freedom of action through official state channels.⁸⁹

The archives reveal a structure that began to change substantially as it pursued a two-track approach. Tempo on the one hand insisted on stricter efficiency in the whole apparatus of the unions and regularised meetings of the presidency and secretariat. He nevertheless subordinated them to ever more frequent 'consultations' between the presidency and wider actors that included the state, economic institutes, representatives of self-management institutions and trade union officials over economic, political and social strategy.⁹⁰ These had existed before 1958 but now became regularised and began to more systematically branch out of trade union structures. Even though a variety of questions came to be tackled by these *ad hoc* consultations, held roughly once a month, issues surrounding tariffs and the minimum wage dominated 1958,⁹¹ internal trade union matters cluttered 1959,⁹² and economic co-operation and integration of economic enterprises rose to prominence alongside the commune

⁸⁹ Hondius, *Yugoslav Community of Nations*, Chapter 7. Rusinow, *Yugoslav Experiment*, Chapter 5.

⁹⁰ He signalled the change at the Fifth Plenum of the CVSSJ in late 1958, AJ 117-16-43, 'V Plenum, 7.X. 1958 BGD', and popularised it at the much-cited (at least among Yugoslav historians) Fourth Congress of SSJ in early 1959.

⁹¹ All but one meeting in this year discussed wages as the central problem, echoing the SSJ decision not to abide by government policy. Duly, these meetings involved largely various levels of the trade union bureaucracy. AJ-117-23, 'Zapisnik sa savetovanja sa predstavnicima republičkih veća i centralnih odbora sindikata – u vezi nekih pitanja iz oblasti tarifne politike – održanog 8. aprila 1958 godine', 'Zapisnik sa savetovanja u Centralnom veću SSJ održanog dana 12. maja 1958 godine', 'Stenografske beleške sa savetovanja u Centralnom veću Saveza sindikata Jugoslavije o zadacima sindikata, stručnih privrednih udruženja i komora u sprovođenju jedinstvene tarifne politike, Održanog 21 jula 1958 god. u Beogradu', 'Zapisnik sa savetovanja u Centralnom veću SSJ održanog 31 oktobra 1958', 'Zapisnik sa savetovanja u Centralnom veću SSJ održanog dana 20 novembra 1958', 'Stenografske beleške sa sastanka Kulturno-prosvetne komisije CV SSJ sa predstavnicima centralnih odbora sindikata, održan 27. novembra 1958 u vezi sa opisima, nomenklaturi i klasifikaciji zanimanja radnika i službenika u privredi', 'Zapisnik sa savetovanja Centralnog veća održanog dana 18.XII.1958 godine', 'Zapisnik sa savetovanja sa predsednicima centralnih odbora u Centralnom veću SSJ održanom dana 29.XII.1958 godine'.

⁹² The new, so-called 'complex wage' system came to be discussed at the end of 1959 at a joint consultation that brought together SSJ and FEC officials: AJ 117-24, 'Zapisnik sa zajedničkog savetovanja Centralnog veća i Sekretarijata za rad Saveznog izvršnog veća održanog 18 demcebra 1959. godine.' Of the remaining eleven consultations, seven dealt with union organisation or activity on the ground, three with following wage patterns and one posed issues regarding self-management, the union-organised system of education for workers and the functioning of the union newspaper *Rad*.

in 1960.⁹³ These problems very much indicated what the overall priorities for the reforming of the party-state were in the self-management sector during this period. All were stages in the development of an industrial system that would be responsive in terms of its internal organisation and overall position in the economy to stimuli emanating from market mechanisms: the first set from 1958 and the second from 1959 revolved around linking ever more closely productivity and wage rises, while the 1960 set of drives denoted a continued attempt to reverse the atomisation of industrial production characteristic of the 1950s in order to form economies of scale that could compete on the world market: a priority that continued to intensify through the 1960s.⁹⁴

On the other hand, Tempo pursued the reduction of unproductive state expenditure by holding a series of plenums to discuss issues like savings and more stimulating wage systems in the state sector,⁹⁵ and the rationalisation of the social security system and healthcare benefits.⁹⁶ Since the five-year plan for 1957-1961 had foreseen the reduction of public spending as one of the ways of keeping up productive investment to substitute for imports that burdened the balance of payments deficit, the trade union pursuit of rationalisation in the public sector and focus on productivity-enhancing strategies in the productive sector very much stayed within the boundaries set by the SKJ. Yet it also indirectly challenged the conservative forces whose subtle campaign to decrease wage differentials within workplaces

⁹³ A major meeting addressed by federal ministers and Edvard Kardelj himself occurred at the start of the year, attended by dozens of delegates from the federal union structures, industrial unions, local union branches, economic units, federal and republic ministers: AJ 117-25, 'Zapisnik sa savetovanja u Centralnom veću SSJ dana 24.II.1960 godine'. Two further meetings later in the year concentrated on the role of the commune form of municipal government, the latter again addressed by major figures: 'Zapisnik sa savetovanja CV SSJ održanog 6.IX.1960 godine', and 'Stenografske beleške po pitanju daljeg razvoja komuna, održanog 12.XI.1954 godine kod Potpretsednika Saveznog izvršnog veća Druga Edvarda Kardelja'. Only a further three consultations occurred during that year, one dealing with the role of trade union in the underdeveloped areas and focusing on efficient use of resources and aid, a second dealing with a new law on labour relations and a third on university workers.

⁹⁴ Lydall, *Yugoslav Socialism*,

⁹⁵ AJ 117-17-45, 'II Plenum CVSSJ 9.XI.1959, Beograd'

⁹⁶ AJ 117-18-48, 'Zapisnik i stenografske beleške sa V plenarne sednice Centralnog veća SSJ, 15.VI.1960 god. Beograd'

and between workplaces rested on their ability to portray the reform wing's interpretation of the party line as being in essential contradiction with some of the stated aims of the 'Yugoslav Road to Socialism'. These fundamentally included the balanced development of the productive forces, the levelling out of regional differences and the realisation of the socialist maxim 'to each according to his work'. The trade union agenda therefore amounted to an attempt to force the pace of change to such an extent as to make any return to the conservative programme too costly to contemplate.

Thus, the twin-track strategy of involving wider forces to push the income sharing principle as far as possible on the one hand and on the other hand to use the trade union apparatus to enhance the functioning of the public sector represented a significant contrast with the conservative methods embodied in the Ranković's power base in the Organisational Secretariat of the SKJ. The trade union method involved building open coalitions between various actors, creating from below momentum for challenges to the state machine and appearing more in tune with the openness of self-management culture than the secretive and top-down methods of the conservatives in the party apparatus. Yet this challenge also strove to stay within the boundaries of the party line and claimed its authority from the turn made in 1956 which made any direct assault upon the reform project by the conservatives near impossible.

The momentum created by the trade unions in the period 1958 to 1960 clearly succeeded in laying the basis for the 1961 'mini-reform', in which the minimum wage was in theory abolished and a simpler and less prohibitive form of taxation introduced,⁹⁷ but did not break the power of the conservative faction. Both had a plausible interpretation of the party line and

⁹⁷ Rusinow, *Yugoslav Experiment*, 119

the efficacy of the reform process. It was the recession of 1961-1962 that opened the way for either interpretation of the way forward to decisively reconfigure the constellation at the top of society. Again, it was the wage system which lay at the heart of the debate. Conservative economists crowed that their warnings about the dangers of excessive liberalisation of the wage system leading to inflation appeared on the facts collected by official statistics to be substantially true: the rate of investment had had to increase at a greater rate in order to maintain the same levels of growth as before and the altitude of personal income not only made this impossible but in fact put additional pressure on prices.⁹⁸ This attack on the reform programme elicited several lines of defence from market reformers. The trade unions once again led the way but developed a distinct position within the reform camp.

It is difficult to reconstruct this process in detail given the abrupt discontinuation of archival materials for the trade unions in 1959-60. Nevertheless, the stenograph of the extended Executive Committee meeting in spring 1962 reveals the weight that the trade unions carried as a result of their new course under the leadership of Tempo. It was indeed the SSJ chief himself who practically took the first floor following the opening speeches by Tito and the new head economic policy-maker Mijalko Todorović on the political and economic situations respectively. It was his intervention that provoked angry reactions from the floor and set the tone for the following three days. It was the trade union apparatus therefore that had played a significant role in pushing the divisions on the Executive Committee out in the open.

Tempo chose to accept the conservative challenge to the reform programme head on by defending the income sharing system in industry. He in fact raised the stakes to the maximum by throwing the gauntlet down to those who disagreed with him, accusing them in effect of

⁹⁸ See Milenkovitch, *Plan and Market*, Chapter 6.

being Soviet-style state capitalist revisionists and bureaucrats who wished to turn the clock backwards against self-management:

‘[W]e had organised the system of the distribution of profit – which was characteristic of our system until recently, and even the system from 1957 had elements of it, as does the current system, of which I shall say more later – in a way that opened wide the possibility for enterprises to operate irrationally. That system exists in Poland, only it’s more rigid. They have in every enterprise a rigid plan of production in terms of range and quality [of products]. Then, in relation to that plan of production, they fix the wage fund on the basis of technical norms and tariffs. Thus, they determine the wage fund, production, price and distribution. And the worker is nothing more than a wage labourer; he receives a wage determined from above. They [the Poles] now have problems of their own. Every year they have to change norms and tariffs and they change them with great problems, since the economy is dynamic [*živa*], while they have to implement norms and change tariffs. That form of worker management is characterised by a proportion of the profit that is realised being left with the enterprise to dispose of, of which they can disburse one wage among the workers, and the rest they have to give for the standard, flats, etc. We [in Yugoslavia] have consciously gone against this. We did not wish to implement that [system].’⁹⁹

That mode of posing the question was indeed consistent with the formulations used in the new Programme of the SKJ adopted in 1958. Moreover, the SSJ chief began to systematise the link between the state apparatus and the conservatives. He subtly accused them of the cardinal sin of methodically breaking party discipline by using the state apparatus to go against the party leadership and the party line: a mortal threat for a group largely based in the SKJ apparatus. Tempo went on to characterise the resistance to reform as the advocacy of the Polish model:

‘Indeed, from the initial period, we have certain experiences and it is not an accident that we turned to the income sharing...What did the trade unions do? We used the whole of 1958, we in the trade unions, in order – and let present comrades confirm it – to find out what the minimum wage was. How is it to be determined? Is it by way of tariffs? Is it by way of norms? What is it? Because, if we don’t have that, we don’t know what we are sharing. This

⁹⁹ AJ 507-III/88, 50-51

discussion lasted a whole year. The trade unions did one thing. The state did another. That's a characteristic which, I have to say so, I don't know...Moma Marković, who was minister of labour isn't here. He, the [government], the enterprise, everything was moving in the direction of promulgating tariffs and norms and for the minimum wage to be determined in that way. The unions said in advance that that would not work...And because the thing took 4-5 months, the enterprises worked on it, the [government] worked on it, the state administration worked on it, everything was mobilised and then we came to comrade Kardelj. Comrade Plavi [Mijalko Todorović, minister of economy], Moma Marković, etc, and then it all fell in the water...Why? Because we had experience for several years that that wouldn't work, that we can't decide norms and tariffs for the enterprises, that we had not managed it when we had 35 economic ministries with 500-600 or 1000 employees in the administrative period. We could not do it and they can't do it, look, in Poland, they can't do it in the Soviet Union and they are having clashes along the same lines...We then had three more meetings. At the meeting with Kardelj, it was the same people again: Mika Špiljak, Plavi, me, Moma, Kardelj. And at each of these meetings we finally condemned the minimal wage, that that is impossible, that we have to seek a different solution along the lines of the trade union proposals. That was the conclusion.¹⁰⁰

It was then, Tempo noted, that the episode described in his memoirs came to pass, when *Borba* interviewed him on the wage system but then published an authoritative piece by Todorović, the deputy president of the Executive Council in charge of economic affairs, in which the latter contradicted the line agreed at the meetings with Kardelj. Dragi Stamenković accused Vukmanović Tempo in the secretariat of the SSJ of contradicting government policy, getting the support of Sekić and the abstention of Romić during the voting, which

¹⁰⁰ AJ 507-III/88, 52-53

Vukmanović Tempo interpreted as ‘the three Serbian cadres’ voting against him.¹⁰¹ Again, he complained to Tito and sought arbitration from Kardelj, who backed him, before the issue came to the Executive Committee at the end of 1958. This is presumably the September meeting at which the SSJ line prevailed: income sharing was the main principle to re-order the wage system and the equalisation of the conditions of production would be necessary for the success of that programme.¹⁰² Nevertheless, nothing moved on this issue during 1959.¹⁰³ Indeed, Vukmanović Tempo in his memoirs alleged that he had to withdraw opening the issue at the Fourth Congress of the SSJ in spring of 1959, despite the fact that he had the support of Tito and Kardelj. This was in all likelihood due to the belief prevalent in government that the economy needed a level of stability before further reforms were passed.¹⁰⁴

Since the five-year plan was nearing completion a year early, the moment appeared propitious for further changes in mid-1960. The changes that eventually came were moderate and half-hearted but plagued by continued factional infighting. Kardelj called yet another meeting in mid-July at which he, Tempo, Špiljak, Moma Marković, Todorović, Gligorov and ‘others who worked on it [the economic system]’ agreed that a new system had to be put in place in time for the start of the next five-year plan in 1961 and that all the experts had to be called back from leave to work intensively on the changes.¹⁰⁵ Rusinow appears to have been well informed about developments at this stage because he describes accurately and pithily what followed: ‘Joint commissions of leading figures from the trade union organisation, the Federal Economic Chamber, and/or economists’ associations were formed on two occasions to prepare concrete proposals. Both times, however, and despite apparently firm support for

¹⁰¹ *ibid.*, 53

¹⁰² *ibid.*, 54

¹⁰³ *ibid.*, 55

¹⁰⁴ See Rusinow, *Yugoslav Experiment.*, 117

¹⁰⁵ AJ 507-III/88, 55

the project of Kardelj as vice-president of the FEC, the mandates and composition of these commissions were abruptly dissolved.¹⁰⁶ Vukmanović Tempo detailed much of the commotion and again emphasised the involvement of Kardelj and Tito.¹⁰⁷ At one point, he recounted how he went to complain to Tito, who was hunting, but he could not remember the name of the place where they met, so Tito assisted him: ‘Dobanovci.’¹⁰⁸

Tempo continued and claimed Tito had supported him which Tito did not deny.¹⁰⁹ Despite Tito’s alleged interventions, however, obstruction continued even after the ‘mini-reform’ of 1961 in which the minimum wage was in theory abolished and a simpler and less prohibitive form of taxation introduced.¹¹⁰ Tempo pointed in rambling fashion to how experts all too frequently manipulated statistical data to slow reform: ‘this apparatus formulates our policy, since it now gives us our statistics, it formulates them and on that basis we decide our policy and it’s clear, everything will consequently go upside down.’¹¹¹ This had a clear political background: ‘Therefore, I am posing the question, why has the apparatus allowed for the whole year to pass with nothing getting done on these issues, and now claims with its analyses the following – and I am just quoting, these are people who have responsible positions in our apparatus: – Guzina who is at the head of the plan, Kiro Gligorov at the head of the economic directory – “Decentralisation means the lowering of the rate of accumulation. Second, decentralisation means a change in the structure of investment.”...What does that mean in essence?...That means let’s opt for the Polish system. Exactly that which they had written in their analysis which we had rejected at the meeting

¹⁰⁶ Rusinow, *Yugoslav Experiment*, 117

¹⁰⁷ AJ 507-III/88, 55-59

¹⁰⁸ *ibid.*, 59

¹⁰⁹ *ibid.*, 60

¹¹⁰ Rusinow, *Yugoslav Experiment*, 119

¹¹¹ AJ 507-III/88, 62

with comrade Kardelj, exactly that.’¹¹² Not a single step could be taken, according to the trade union boss, without resistance arising from within the state apparatus against what was, after all, the party line.

After detailing modes in which the ‘mini-reform’ was only partial, Tempo insisted he had no confidence in all the committees and subcommittees introduced to deal with the issue.¹¹³ In answer to Tito’s query why that was the case, Tempo explained that the dominance of specialists made him doubt anything would change in relation to previous experience. An important exchange followed in which Tito asserted that ‘people who do not wish to execute policies decided from above should be sent to some other task’ and then, turning to ‘one of those present’, he uttered the admonition that ‘it had been wrong to prejudice the result by forming commissions before we finish the job here [in the Executive Committee]’.¹¹⁴

Such words from Tito signified significant support for the trade unions. Tempo, who was by now clearly overstepping his allotted time, exploited his advantage to the full by outlining his alternative economic vision. Tempo certainly came across as an original strategist in his own right who was spearheading the liberal faction but also quite distinct from it. His major contention was an attack on the position that blamed the recession on rising worker incomes. While statistics broadly supported the idea that wages had risen faster than productivity, Tempo attributed this trend as much to the distorted reporting of biased elements in the state apparatus as to real movements in the economy. Any blanket move to freeze wages was ‘to follow the example of the English; England is not mentioned but, roughly, the Conservative government is going for a [wage] freeze and the same tendency is visible here.’¹¹⁵ Instead,

¹¹² *ibid.*

¹¹³ *ibid.*, 64

¹¹⁴ *ibid.*, 65

¹¹⁵ *ibid.*, 79

the strategic task he proposed as an alternative rejected cuts in personal consumption and called for wage rises to be tied to productivity, while savings could be made through cuts to public spending as well as an increase in rational investment in productive capacities, above all in agriculture, in order to minimise imports.¹¹⁶

This position had great appeal for the liberal faction but showed some independence from it. Namely, Tempo's proposals expressed distrust of both the federal state and of the republic leaderships, placing faith instead in the worker collectives and the market ('normal tendencies, economic tendencies').¹¹⁷ As Tito had already shown his support for the attack on the federal bureaucracy, Tempo concentrated his fire for waste on republic leaderships' meddling in investment projects. He attacked the Montenegrin construction of political factories and energy projects, an attack that Tito appeared to appreciate, commenting 'now you've got to the heart of it [*sad si čačnuo u stvar*]'.¹¹⁸ Having attacked the leadership of the republic of his own provenance, Vukmanović Tempo felt he could criticise the Croats and the Bosnians for duplicating capacities, earning disapproval from some participants: 'Osman [Karabegović, head of republic government in Bosnia], please, don't look at me like that'.¹¹⁹ This tirade would probably not have been popular among the less developed republics as it concentrated on waste as an emanation of misdirection of development funds gained from the more developed regions. The clear implication of the argument had been that any potential alliance between the federal state and the less developed republics would be a block to the development of the country. For the yardstick that economic development had to be judged against was international competition, and the trade union chief declared disbelief at the lack of progress in the approach to foreign trade in economic policy-making despite ten years of

¹¹⁶ *ibid.*, 72-80

¹¹⁷ *ibid.*, 74

¹¹⁸ *ibid.*, 72, 75

¹¹⁹ *ibid.*, 72

discussions and implored the use of economic instead of administrative tools to solve the most important problem facing the country: the current accounts balance.¹²⁰

Tempo therefore supported market reform to the very core but also helped shift the terms of the debate in substance if not yet in words: he chose to emphasise in essence 'de-etatisation' at the expense of 'decentralisation' as the dominant process in the pantheon of ideals embodied by the 'Yugoslav Road to Socialism' and he did so in order to achieve the move reformist demands from easily denoted territorial undertones towards an involvement of wider social forces that could open wider possibilities for the transformation of the Yugoslav body politic. Rusinow perceived this subtle change in the reform programme but dated it to the mid-1960s and attributed it primarily to reform heavyweight Bakarić.¹²¹ Yet the issue of centralism had plainly arisen at the turn of the decade not just in ideological terms but in practical-political realities. While it also might indeed have been Bakarić who would later forge the alliances of the 1960s and arm them with a clearer ideological repertoire, he had ready-made elements to choose from and the trade union push had obviously made their contribution difficult to obviate. That notwithstanding, the ensuing debate made it questionable whether the de-etatisation vision in itself provided a concrete strategic alternative to decentralisation. In fact, there appeared to be no sense for how these tendencies interrelated and no action programme to overcome contradictions between them. The SSJ had been the battering ram against conservative positions but neither it nor the rest of the reform bloc had given any serious thought to how the step beyond centralism would be realised. That may explain their reticence to take the decisive leap there and then. Without it, structural reform and any worker-based Yugoslavism would remain prisoner to various attempts to find

¹²⁰ *ibid.*, 72, 75-77

¹²¹ Rusinow, *Yugoslav Experiment*, 159, ff. 29

a compromise with the conservative wing, even though no workable compromise appeared desirable to participants of the debate.

The Executive Committee between centralism, oligocentrism, polycentrism and 'the world division of labour'

Indeed, the unity of Yugoslavia became a major issue of discussion at the Executive Committee. Dijana Pleština in her landmark study of regional development in Yugoslavia, based in large part on interviews with policy-makers, aptly described the main dualism that divided the reformers and conservatives:

'Thus, the conflict between those who stood for an increase in self-management and those who opposed it was, above all, a conflict over perceived economic interests. It was potentially more explosive as the economic repercussions of decentralisation and increased role of the market would be felt differently in the various republics and regions, according to their different levels of development. The historical polarization between the developed northwest (Slovenia, Croatia and Vojvodina), which stood to gain from the liberalization and market-oriented economy, and the less developed southeast (Bosnia-Hercegovina, Macedonia, Kosovo and Montenegro) which stood to lose by it, with some in Serbia seeking their interests parallel to those of the less developed, threatened to make economic decentralization a political issue of exploitation of the "poor developing periphery" by a "greedy developing center".¹²²

This position is widely accepted in the historiography and serves as the basis for differing interpretations over the exact reasons and timing for the turn against Serbia by the less developed southeast that fundamentally allowed for the passing of the 1965 reforms and the removal of Ranković from the leadership in 1966. The dominant view always involved an attempt to show how a particular shift at any point in time pushed a reluctant Tito, 'who was

¹²² Pleština, *Regional Development*, 63

in his heart a centralist of the old school',¹²³ and whose authority was critical to any decisive turn, to back reforms.

Much of this perspective is based on the erroneous understanding of Tito's positions shaped in particular by Paul Lendvai's influential account of his time in Yugoslavia.¹²⁴ According to Lendvai, and many contemporary foreign commentators, Tito's speech in Split in May 1962, which followed the extended EC meeting, represented the high tide of conservatism. The president's call for 'a uniform socialist culture', the eventual result of which was 'to switch the sympathies of party leaders of the less-developed regions away from the centralist to the liberal camp',¹²⁵ inaugurated a period of ascendancy for the Ranković faction with the Serb leader awarded the position of vice-president.¹²⁶ According to Pleština herself it was the split in Serbia among conservatives (represented by Ranković) and reformists (represented by Todorović), as well as the conservatives' overconfident approach epitomised by Serbia's appropriation in 1964 of the decentralised funds of formerly federal banks based in Belgrade, that decisively shifted the smaller republics.¹²⁷ Her *en passant* assertion of the piecemeal continuation of reform throughout the early 1960s rested on her presentation of Tito as a reformer, which in turn probably owed much to the post-1966 historiography inside Yugoslavia itself. By contrast, recent scholarship has added the dimension of the renewed Tito-Khrushchev attempt at reconciliation, prompting Tito throughout the 1960s to remain close to Ranković in the hope that the victory of reformist forces in the Kremlin would bring about closer relations with Moscow and a looser and more acceptable version of the Communist bloc for Yugoslavia.¹²⁸

¹²³ Lydall, *Yugoslav Socialism*, 80

¹²⁴ Paul Lendvai, *Eagles in Cobwebs*, 187.

¹²⁵ *ibid.*

¹²⁶ *ibid.*, 180-190

¹²⁷ Pleština, *Regional Development*, 67

¹²⁸ See Swain, *Tito*, Chapter 5

The minutes of the extended meeting of the EC in 1962 suggest that Tito was concerned about Yugoslav unity but that he entertained a vision of integration based primarily on the economic concentration and centralisation of the self-management sector, not on a statist model. His attachment to the SKJ as a centralised apparatus might have conditioned his desire to maintain a compromise with Ranković but it did not place into question his reformist credentials. If anything, the subsequent moderation of reform probably had as much to do with Tito's care not to alienate the less developed republics as to his clear desire to maintain the SKJ as a centralised political actor. Yet there appeared to be a contradiction between the maintenance of cohesion in the party leadership on the one hand and the ability of the party to take decisive moves on the other. This spelt dark times ahead for the party. The tone of their meeting made it obvious that the participants understood this. Subsequent moves by the leadership signalled the ascendance in economic policy making of the reform wing even as apparent promotions of conservatives to high political office occurred as well. A new equilibrium emerged by the time of the July Plenum which indicated the continued upper hand of the reform wing. That compromise could only be fully understood on the background of the EC debate, for which reason this section involves significant modification of the historiography.

Indeed, the Executive Committee met in 1962 on the back of significant threats to Yugoslav cohesion that foreshadowed the problems that emerged after 1962. Tito delivered the opening speech and dramatically referred to national divisions in the government itself, posing the question: is our country still capable of keeping together, to not disintegrate?¹²⁹ Tito blamed the republics above all for this situation: 'decentralisation with us among some of our leading

¹²⁹ AJ 507-III/88, 2

people takes on ever more the character and meaning of disintegration'.¹³⁰ Tito rattled off a series of incidents that called for a summit of the highest body of the SKJ. Indeed, both he and Ranković referred to divisions in the government along national lines,¹³¹ the Slovene delegates refusal to vote for the economic plan for the year 1962 because of their opposition to the tax on extra profit,¹³² controversy in Serbia about the allegedly unfavourable situation in which the Cyrillic script found itself,¹³³ clashes between Slovene and Serb intellectuals Pirjevac and Čosić,¹³⁴ chauvinist outbursts in the cultural sphere,¹³⁵ struggles over autonomy in Serbia over the position of Vojvodina,¹³⁶ and problems of control over party publications between the centre and the north-western republics.¹³⁷ Tito also emphasised how disunity had led to disloyal competition between export companies, which had apparently lost the country credits and tarnished its reputation among its non-aligned friends.¹³⁸ His initial emphasis, therefore, did indeed fit into an attack on decentralisation and not against the central state. This was neither a temporary tactical manoeuvre nor a strategic volte-face. Tito's vision was broader as his later interjections and interventions would show.

Even so, amid the circumstances, it was not strange for the debate to polarise between those who saw 'subjective' or political issues as the major cause for the problems in the country, and those who blamed 'objective' or economic factors. The former elicited an abstract call for central party control over a chaotic and atomised apparatus, while the latter implied the need to agree to and implement an economic model that replaced central planning. Since Tito had apparently put emphasis on the former, speakers who explicitly or implicitly cited

¹³⁰ *ibid.*, 3

¹³¹ *ibid.*, 2

¹³² *ibid.*

¹³³ *ibid.*, 4

¹³⁴ *ibid.*, 3-4

¹³⁵ *ibid.*,

¹³⁶ *ibid.*, 121-122

¹³⁷ *ibid.*, 122-123

¹³⁸ *ibid.*, 5-12

politics as the defining issue in their contribution usually gravitated towards a conservative worldview and appealed to Tito's authority. They were a minority and almost exclusively representatives from the south-east of the country: Rato Dugonjić,¹³⁹ Osman Karabegović¹⁴⁰ and Djuro Pucar from Bosnia,¹⁴¹ Aleksandar Ranković,¹⁴² Dragi Stamenković,¹⁴³ Bobi Radosavljević,¹⁴⁴ and Svetislav Stefanović Čeća from Serbia,¹⁴⁵ and Blažo Jovanović from Montenegro.¹⁴⁶

Those who emphasised economic issues, by contrast, tended to be reformers. Some of them concentrated on politics but openly backed further changes to the economic system. This group included north-easterners but was not exclusive to them: Svetozar Vukmanović Tempo¹⁴⁷ and Veljko Vlahović hailed from Montenegro,¹⁴⁸ Miha Marinko,¹⁴⁹ Edvard Kardelj,¹⁵⁰ and Sergej Krajger were from Slovenia,¹⁵¹ Mika Špiljak,¹⁵² Jakov Blažević,¹⁵³ Zvonko Brkić¹⁵⁴ and Vladimir Bakarić all came from Croatia,¹⁵⁵ and Milentije Popović from Serbia.¹⁵⁶ Key Serb cadres Miloš Minić,¹⁵⁷ Petar Stambolić¹⁵⁸ and Jovan Veselinov¹⁵⁹ tried not to tackle the controversial issues head-on: Minić argued in favour of greater political centralisation and of greater economic integration but without impinging on self-

¹³⁹ *ibid.*, 80-85

¹⁴⁰ *ibid.*, 85-100

¹⁴¹ *ibid.*, 209-216

¹⁴² *Ibid.*, 116-125

¹⁴³ *ibid.*, 225-234

¹⁴⁴ *ibid.*, 235-243

¹⁴⁵ *ibid.*, 243-252

¹⁴⁶ *ibid.*, 308-316

¹⁴⁷ *ibid.*, 48-80, 252-260, 357-361

¹⁴⁸ *ibid.*, 164-178

¹⁴⁹ *ibid.*, 101-106, 234-235

¹⁵⁰ *ibid.*, 261-278

¹⁵¹ *ibid.*, 331-340

¹⁵² *ibid.*, 143-148

¹⁵³ *ibid.*, 195-209

¹⁵⁴ *ibid.*, 278-284

¹⁵⁵ *ibid.*, 340-349

¹⁵⁶ *ibid.*, 326-331

¹⁵⁷ *ibid.*, 284-298

¹⁵⁸ *ibid.*, 106-116

¹⁵⁹ *ibid.*, 152-184

management; Stambolić talked of strengthening the federal centre but also of including the republic centres more in federal issues, all the while asserting the need to compete on the world market; and Veselinov was careful to argue against Serbian nationalism and suggest that everyone should tackle their own nationalism. The Macedonian delegates, Aleksandar Grličkov¹⁶⁰ and Lazar Koliševski,¹⁶¹ had a complicated approach that leaned simultaneously in both directions and communicated a constructive openness to complex solutions. The Montenegrins by contrast appeared mired in local issues and were roundly criticised by conservatives and reformers alike.¹⁶²

Further to these general tendencies, factional debates revolved around several axes and were not necessarily compatible even within camps. This was perhaps clearest in terms of the different understandings of the role of planning within decentralisation. Among the north-westerners, in particular Bakarić and Krajger, a combination of what the influential Yugoslav economist Bićanić termed 'oligocentric', 'polycentric' and 'open' concepts of economic development prevailed.¹⁶³ The first concept rested on the administrative division of Yugoslavia into six republics, such that 'each republic should develop its own territory and that each should influence the development of Yugoslavia as a whole...[t]he aim is not to isolate each republic...but...to have the most open policy possible, so that each republic takes into account the behaviour of the others.'¹⁶⁴ The second concept took planning to be a complex system worked out from below variously by arrangements that included worker self-management organs, the banking system, professional organisations and chambers of commerce, and organs of local government.¹⁶⁵ The third presumed a broader context that

¹⁶⁰ *ibid.*, 178-194

¹⁶¹ *ibid.*, 316-321

¹⁶² *ibid.*, 148-152 for Filip Bajković

¹⁶³ See Bićanić, *Economic Policy*, Chapter 10

¹⁶⁴ AJ 507-III/88., 204-205

¹⁶⁵ *ibid.*, 205-206

suggested that development took place 'within the framework of a larger system of regional or world economic relations'.¹⁶⁶

Speakers from the north-west combined these concepts on several levels. To begin with, they admitted that greater reliance on the market had implications on regional balances. Indeed, Bakarić, the leading Croatian figure, expressed dissatisfaction with the *status quo* in the planning system, claiming that pre-war planners in the economic institutes did a better job than contemporary policymakers,¹⁶⁷ yet intimated that devolution of policy-making to enterprises functioning according to the 'law of value' had to be specifically thought through in order to prevent the richer regions exploiting the poorer ones in the Yugoslav context.¹⁶⁸

Krajger, head of the Slovene government and soon to become chief of economic policy in the federal government, felt he needed to go further in order to respond to charges of Slovenian exceptionalism. He began by stressing economic necessity before explaining why indeed a level of exceptionalism was necessary. Economic necessity had to begin from an international position, he argued, and complained that Yugoslavia was more autarkic than the Soviet bloc, with trade with the outside world accounting for only 10 percent of GDP.¹⁶⁹ Yet the world market was the key for the success of the reform of the system:

'Namely...if we wanted to transfer to a system of distribution of income, we needed to put our enterprises in such a way that they could operate with material accounting, that they had to worry about the commercial results of production. We could not do so until we open our markets, for as long as our market is closed, as long as our economy can use an overly protected position, a monopoly position, it can realise any price, it can attain on the domestic market any amount of super-profit, which allows the enterprises to indulge in this rampage with personal incomes etc.'¹⁷⁰

¹⁶⁶ *ibid.*, 207

¹⁶⁷ *ibid.*, 345-346

¹⁶⁸ *ibid.*, 348

¹⁶⁹ AJ 507-III/88, 335-336

¹⁷⁰ *ibid.*, 333

From this, he concluded that Slovenia took a different position on the plan since it saw questions of production and not consumption at the centre of getting out of the crisis. Yet, only one Slovene delegate in the Federal Assembly voted against the plan. Slovenia had not rejected the plan but had in fact changed its 'form' in dialogue with federal ministers and officials.¹⁷¹ More than that, the Slovene position was to substitute imports from western markets with eastern or non-aligned markets and 'we went for the maximum mobilisation of our forces' to find export markets for goods normally sold domestically.¹⁷² Such a mobilisation could only be achieved locally and it was no accident, for Krajger, that investments coming from the centre achieved least results: most work collectives still thought in terms of production alone but empowering local actors to deal with expanded reproduction increased their interest in issues beyond production. With a more efficient system, Slovenia could contribute to tackling the central question of the balance of payments deficit, which was beneficial to all of Yugoslavia: 'our position may look like a republican one but we understood our entire development policy as a Yugoslav one'.¹⁷³

Milentije Popović, the main architect of the recent reforms and general secretary of the SSRNJ, presented a different approach to planning. His approach presented state intervention as a temporary and exceptional necessity in the circumstances of the recession but the ideal remained in the self-management sector conducting itself along market lines.¹⁷⁴ The immediate task, however, lay in the renewal of the political system in order for it to take into account changes in the economic situation: 'This crisis is biting not because we are today not as good as we used to be before – at least it would be possible to speak...of personal deformations on account of practicism, bureaucratism, etc – but because our development

¹⁷¹ *ibid.*, 334

¹⁷² *ibid.*, 335-336

¹⁷³ *ibid.*, 336-339

¹⁷⁴ *ibid.*, 326-327

continually and every day poses political questions and because yesterday's administrative and economic problems are today often becoming political questions. Economics is becoming politics. We have not organised ourselves in the federation to solve these issues.'¹⁷⁵ While Popović did not wish to be drawn to provide criteria according to which the plan ought to function, he did see the federal organs as the paramount locus for decision-making. Instead of confusion and competing centres acting autonomously, he argued for democratic centralism:

'Certain political conditions have emerged in which we, who sit in the Central Committee, when we discuss among ourselves, say that we are a federal or coalition Party, or that we have a united Party in which there are different bodies with their own responsibilities. That is what we are talking about and it is here that have to make changes...only one thing is certain about what needs to be done, which Pera [Stambolić, soon to be Premier] talked about, we have to strengthen the political organs on the federal level, that they should begin to work, to live and make decisions. That is one thing. And the other thing is that these organs should turn to those political and theoretical questions which arrive every day and to which we do not have the answers.'¹⁷⁶

Such a mode of hypothesising the role of the federal centre, with its reference to Stambolić, appeared to dovetail with Tito's obvious leanings towards reform, and preoccupation with political unity and efficacy in new conditions. It echoed the position of the other Serbian speakers but much more firmly presented the hierarchy of priorities, placing state intervention and the unity of the federal centre in the service of the rounded development of a self-managed economy. Since time was a factor, Popović reasoned that state intervention to lift the economy remained the first task, that a new mode of deciding on the mode of state intervention had to closely follow and that a return to full reform would follow later. Subsequent events would show that this position prevailed in the short term.

A third variant came from Aleksandar Grličkov, head of the Macedonian government, whose intervention sharply contrasted with both the north-western and reform-Serbian positions as a

¹⁷⁵ *ibid.*, 328

¹⁷⁶ *ibid.*

consequence of the fact that he represented one of the less developed regions. Indeed, the position of the Macedonian delegation could not be clearly delineated as reformist or in favour of decentralisation. The central committee of the Macedonian party was reputed to be deeply divided over reform in the 1960s. It in fact responded positively, alongside the Montenegrin party, to a co-operation initiative launched by Serbia and Ranković himself in the mid-1960s. The seeds of both centralism and decentralisation existed in the Macedonian position and, indeed, the mid-1960s pact with Serbia did not on the face of it count on the re-assertion of central state power but on inter-republic co-operation to counter north-western domination.¹⁷⁷ Nevertheless, federal intervention in investment projects as well as development strategies that could assess the optimum investment patterns in primary industry from the perspective of the balance of trade deficit remained attractive to the most slowly developing republic in Yugoslavia.¹⁷⁸ At the same time, the central question for Gričkov remained not an either-or approach but rather what optimal combination of planning methods could be attained through mutual dialogue. He expressed the Macedonian preference for decentralisation of agricultural policy as a way of opposing uniformity in forms of production and in policy ('the development of plum-making' or the 'development of grape-production' he said cynically, alluding to the national fruits of Serbia and Montenegro) that emanated from the stronger republics.¹⁷⁹ That indicated a further tendency inherent to decentralisation: protectionism within the federation. Conversely, the Slovene approach sought decentralisation not in order to prevent outside influences but rather the obverse, to gain from the republic's competitive advantage in Western markets.

At times the conservatives expressed great alarm about these threats and the debate got out of hand. This occurred early on in the meeting when Dragi Stamenković exchanged words with

¹⁷⁷ Shoup, *Communism and the Yugoslav National Question*, Chapters 5 and 6

¹⁷⁸ AJ 507-III/88, 185-187

¹⁷⁹ *ibid.*, 187-188

Marinko, accusing him of dissembling regarding Slovene intransigence in the Federal Assembly in relation to the federal plan: 'Here, comrade Miha Marinko is the secretary of the Central Committee of Slovenia [sic]. He spoke here of the productivity of labour and reward according to labour. How am I to understand that he has not spoken about the big principle issues which have been raised here? Is he not in agreement, so he speaks about secondary things, or is it that he agrees but has said nothing of it here? I see we are going nowhere...the polemic just is not there.'¹⁸⁰ When Marinko explained that he had spoken for a short time on just one important issue but that he could not deal with all issues, Dragi Stamenković asked again why the Slovenes opposed the federal plan, only to get the response that Marinko felt he had said something on a substantive issue and asked Dragi Stamenković to go beyond abstract calls for unity and say something substantive himself.¹⁸¹

Seemingly, it was not just Dragi Stamenković who found the situation in the SKJ scandalous. Of the seven speakers who followed Tito and Todorović on the first day, four were unequivocal conservatives and only two explicitly identified themselves with the reform wing. By the second day, the clear conservatives made up only four of the fourteen interventions, although another three could be seen as leaning towards them, and the reformers had four adherents, albeit two had already spoken the day before. On the third day, the reform wing predominated with eight of the twelve participants before Tito finally spoke again. The conservative wing by contrast had only one speaker on that day before Tito had addressed the meeting with his concluding remarks. Ranković had chosen to speak early on but his contribution was comparatively mild. His focus as in early 1958 was on the state of the party and he did not comment in substance on the economic issues. Nevertheless, the important contention that Ranković made indirectly and subtly focused once again on the

¹⁸⁰ *ibid.*, 227

¹⁸¹ *ibid.*, 234-235

continued laxity of the party apparatus from the top down: the issues of 1958 had apparently been understood by the party as something to be stormed through and then gradually forgotten as time went on.¹⁸² Not only did he believe another letter was necessary to rectify the recidivist tendencies on the part of the lax membership but he also noted, as in 1958, that the leading forums of the party at the level of the republics rarely met and had developed localist interests which prevented them from acting as Yugoslavs.¹⁸³

Ranković was clearly implying that all the negative anecdotes Tito had brought up, and that he was about to relay himself, represented an insidious negligence on the part of leading party figures. There was not enough democratic centralism in the party where a line would indeed be proclaimed after a democratic debate and then uniformly executed. There was just not enough outvoting in party forums, contrary to the claims from a Bosnian delegate, and there was too much consensus building, which in effect allowed inadequate compromises that sanctioned everyone to do as they pleased since the formulations were so general. The party had instead become indolent to negative phenomena.¹⁸⁴ He then got concrete and accused the Montenegrins of allowing too much leeway to their municipal leaderships. Serbia, too, had experienced problems as the autonomist forces in Vojvodina threatened the unity of the republic.¹⁸⁵ Ranković's later ridicule of Pirjevac and of the accusation that Yugoslavism implied an attack on the republics served as a sophisticated and sarcastic commentary on accusations against Serbian hegemonism; it was clearly Serbia which endured threats to its existence as a republic.¹⁸⁶ The Serbian strongman also laid into the Croatian leadership. He asked who if not Brkić and Bakarić should know that about the damaging debate between the federal party and the Croatian party over control of the publication of *Borba* in the Latin

¹⁸² *ibid.*, 118

¹⁸³ *ibid.*, 118-119

¹⁸⁴ *ibid.*, 119-120

¹⁸⁵ *ibid.*, 120-122

¹⁸⁶ *ibid.*, 125

script from Zagreb. Yet they had claimed not to know when confronted.¹⁸⁷ The Slovene party leadership too had tolerated similar shenanigans over the funding and control of the party journal *Komunist*.¹⁸⁸ In the context of heavy accusations over Slovene loyalty, this piece of information served only to show just how systematic their indiscipline was, in the view of the party conservatives. Ranković recommended greater vigilance from the party centre to avoid disintegration and to recover the political initiative of the federation.¹⁸⁹

Even as he made neither direct accusations against individuals nor any recommendations in relation to wider policy, the choice of language, theme and example when he addressed party issues spoke eloquently about Ranković's leanings and intentions. By implicitly raising the prospect of disloyalty to Yugoslavia, Ranković could only cause doubt in the reform agenda as a whole. The ploy of innocent commentator using suggestive *double entendre* echoed the earlier Slovene intervention. While it was clearly as false as Marinko's *persona*, Ranković's appeal to the primacy of the political had purchase with key actors including Tito. Moreover, it let other conservatives play different roles: that of the opponent of the confederalisation of the system as Rato Dugonjic portrayed himself¹⁹⁰ or of the decisive defender of pre-war communist Yugoslav integralism as the formal chief of the security apparatus Stefanović Čeća attempted.¹⁹¹ Finally, it revealed both his strong hand in that the conjuncture allowed Ranković to punch above his weight for the conservative agenda but it also reflected his weakness as he appeared to be desperate to encourage his potential supporters without in fact stepping out of the shadows as a contender for *primus inter pares* among Tito's adherents.

¹⁸⁷ *ibid.*, 122-123

¹⁸⁸ *ibid.*

¹⁸⁹ *ibid.*, 124-125

¹⁹⁰ *ibid.*, 82

¹⁹¹ *ibid.*, 246-247

The other contender for that role, Kardelj, was the first speaker on the third day. His patience, optimism and firmness contrasted with the prevailing mood and suggested that Kardelj felt secure. Recognised as the implicit leader of the reform faction, he flatly denied that the question of centralism or decentralisation amounted to the main issue. These, he contended, were symptoms of deeper problems. He forcefully argued that Yugoslavia had achieved much domestically and internationally because of the unusual stability of its leadership over twenty years which he put down to Tito's role and the introduction of self-management. The threat to that stability came not from bickering over a 'few billion' which could always be found through careful budgeting but from the bureaucratisation of people in their own position, whether in government or in the republics.¹⁹² The question was not the resources but the dynamic in which no-one was prepared to approach the question from the position of the whole. Kardelj counselled the rotation of leading personnel since he felt he had been able to predict word for word the contribution of every speaker, proof of the extent to which attitudes had become predictable over a decade of occupying the same post.¹⁹³ The immediate task was to create stable conditions and unity, including removal of individuals if relations had become impossible, so that instant measures to lift the economy could take place and create time for patient discussions. Still, this unity should not come at the price of negating the right of nations to self determination or of resurrecting Stalinist or bourgeois-democratic forces which had been quietly waiting in the wings. The line, which had brought Yugoslavia to where it was, had to continue: 'we must stand firmly on our principle positions, on everything that is fundamental to our system and is our general, strategic line, and to struggle against all criticisms which would want to take us on a wrong turn.'¹⁹⁴

¹⁹² *ibid.*, 261-269

¹⁹³ *ibid.*, 272

¹⁹⁴ *ibid.*, 278

While his short-term proposals probably sounded reasonable to most participants including Tito, Kardelj preached patience and promised inclusion to the less developed republics. This he did without conceding on the reform line: he explained that his own position on the situation in the economy, which would not be solved for several more years and necessitated large-scale discussion, took the international as the starting point. Since the whole world was moving to integration, Yugoslavia could not look to autarky or produce in order to substitute for imports but had to organise its economy for exports. Without moving towards this, Yugoslavia was lost.¹⁹⁵ Each region had to understand that integration in the world economy would be beneficial in the long run, so the immediate future, by which he meant a period spanning a decade, ought to be the operative concept: 'whether a specific problem of a republic or a region would be solved this year or next or in the five years' time' was 'all the same'.¹⁹⁶ That claim could not have gone down well and showed Kardelj to be much more of the reform hardliner than he appeared. His promise was fundamentally that of inclusion rather than of compromise.

As such, it probably exacerbated tensions at the meeting. Soon after Kardelj had spoken, Blažo Jovanović took the floor, discussed in non-committal fashion the major issues of the day and then complained about the specific problems facing Montenegro, regarding forestry and energy in particular.¹⁹⁷ Tito could not contain himself and interrupted:

'Blažo, I am in total agreement. It is just that I have not seen anyone survey the whole. Everyone says: one should keep this or that in mind, and then they veer off into their republic or other waters. They start with things we don't have time for in today's meeting. Comrades, I do not see how anything can come from this meeting. I am frankly disappointed at the way things are going. I did not want this meeting to be held in order to discuss the question of waterways or an aluminium factory or any other factory. I wanted us to get organised because we are in crisis; it's a subjective crisis, a crisis of ourselves. That is the core of it and this

¹⁹⁵ *ibid.*, 268-269

¹⁹⁶ *ibid.*, 269-270

¹⁹⁷ *ibid.*, 308-316

discussion is proving it. Comrades, excuse me for this outburst but I find it so hard to listen to this. It is impossible to endure this. Continue, Blažo, sorry.¹⁹⁸

Following Tito's intervention, the drama intensified. Three speakers took the floor to directly or indirectly ask Tito to dissolve the leadership and turn to the party in order to co-opt a new leadership. Macedonian Lazar Koliševski was the first made the appeal:

'The Executive Committee should be more active in all spheres. Practice has here shown with the case of Tempo – I am referring to the situation in the trade unions – that it is not enough to discuss things in the Secretariat alone. The Secretariat can meet or not meet, we will be none the wiser...If today we need to use the authority of comrade Tito and take this to the membership of the League of Communists, I believe that would tarnish the reputation of the Executive Committee and the Central Committee. I believe that comrade Tito, if there is no other way out, should do it [go to the membership]. Lenin was once in the same situation and he availed himself of this right.'¹⁹⁹

Koliševski pointed out that he believed that the Executive Committee was united behind Tito but that he felt Tito should have the right to act decisively if this was not the case. Minister of People's Defence Ivan Gošnjak spoke next and provided an explicitly centralist speech. He complained that decentralisation had gone too far and that it could not in any case occur without a united party. He then went on to address Koliševski, to assert that the leadership was in fact divided:

'Comrade Lazo says: the Executive Committee has behind it the Central Committee. When a man knows everything that is going on...

LAZAR KOLIŠEVSKI: Comrade Tito has behind him the whole Central Committee. And let him take the Executive Committee in front of the Central Committee. That's what I said.

IVAN GOŠNJAK: I am not of the belief that we all stand on one political, principle line. We do not, why deceive ourselves? I would even claim that comrade Tito does not have – on that one principle line – the Central Committee.

JOSIP BROZ TITO: I also think that.

IVAN GOŠNJAK: Comrade Tito has the Party, the working class, but the members of the Central Committee – on one principle political platform – I think he does not have them...I completely agree with comrade Rato [Dugonjić] that

¹⁹⁸ *ibid.*, 316

¹⁹⁹ *ibid.*, 319

today in comparison with a couple of years ago, we have not taken a single step forward in the creation of one united state, one united community of peoples.'²⁰⁰

With the security apparatus lined up for centralism, it is not difficult to understand why Tito resisted calls to dissolve the leadership: Gošnjak had started off his contribution by relaying the unease of the army at news of the instability in the leadership.²⁰¹ Yet it was probably precisely for that reason that the reform wing kept pushing him to, as both a show of force to the conservatives and as a statement of support to Tito. Even the last speaker, Bakarić, repeated this call: 'If I wanted to and if we wanted to dramatise this thing, then the only way out would be for us to say: let us as the leadership dissolve ourselves and let the League of Communists, which is a healthy organisation, give comrade Tito a mandate to appoint a new leadership. Not just because we do not agree among ourselves but because we are unable to find a way out.'²⁰²

After a further spat between Todorović and Tempo,²⁰³ centring around personal incomes and their effect on economic performance, as well as on accusation and counter-accusation about the latter's allegations earlier in the meeting, Tito calmed affairs saying everyone ought to look forward and then finally gave his own verdict on the affairs of the day. His tone had changed, as he admitted that he had spoken emotionally and knew that everyone was tense.²⁰⁴ Thus he projected an optimistic vision. He began with the recognition that the leadership was divided. Yet he believed that its latent revolutionary spirit would lead it to the correct path and he insisted this had to come from the bottom down as well, announcing that the republic leaderships would have to renew their loyalty to the line in a series of meetings in the near

²⁰⁰ *ibid.*, 324-325

²⁰¹ *ibid.*, 321-322

²⁰² *ibid.*, 346

²⁰³ *ibid.*, 349-360

²⁰⁴ *ibid.*, 361-362

future.²⁰⁵ The main issue, and Tito made a point of agreeing with Ranković, was that the party had let matters slip: 'The role of the League of Communists – whether the federation, decentralisation or democratisation are at issue – is much greater than it used to be before, say, the Sixth Congress. That role is more delicate. The League of Communists must now work on the directing the course of our social development, it must do all that which it has not done until now, because that has been left to the various organs, federal and republic, and that has been abandoned, so things have gone in the wrong direction.'²⁰⁶ He lamented that the federal leadership had come to be seen as a gendarme among the republics but he insisted that 'we are for Yugoslavism and we must be for it'.²⁰⁷ In this sense, Tito confirmed everything he had set at the outset of the meeting.

At this point, however, he began to change tack. He admitted that for the preceding period, he had had substantial doubts about his own position, the position of his comrades and the direction of the country, in a passage worthy of lengthy quotation since it clarifies much about Tito's role:

'It is said that at difficult and great crossroads, that which is not ripe and revolutionary enough falls out of the car of the revolution. But our revolution continues. It would be miserable for old revolutionaries to begin falling out of the car and for us to raise our hands in the air, to raise our hands from the troubles in which we find ourselves. As far as I am concerned – I am speaking honestly and openly – I have for years, and particularly the last two years, been undergoing a struggle with myself. What should I do? I can see some things are not going. Allow me comrades, I have spoken many times of the issues you have spoken about. That has been written about too; letters were sent, warnings came up about some things, but that did not become the flesh and blood of the League of Communists in the sense that it continued further unabated...and this discouraged me...And I am the General Secretary of the League of Communists. I have great responsibilities. And when you have great responsibilities, then the question is posed: can you continue in this way? You have responsibility but that which you suggest or demand is not implemented, and things in fact go in the other direction. So should you be in your position? Maybe you do not fit according to your qualifications the current phase of the evolutionary process of society, as some

²⁰⁵ *ibid.*, 362-363

²⁰⁶ *ibid.*, 363

²⁰⁷ *ibid.*

people have said: he has got old, not got old, but has obsolete ideas; good for the war but after the war...it is necessary to find new people. There has been much of that, comrades, and I must emphasise once more that there is still a lot of it about. I don't agree with that. I don't agree with that because I don't want to, on the basis of various speeches etc, I don't want to give up [*bacim koplje u trnje*], I've decided to fight. I believe most of you will be in favour of what I think, and I think what the majority among you favours. We want to safeguard our socialist community, we want to protect the heritage of the revolution, we want to eliminate that which divides us, and we want to seek out the paths that unite us. And I am still capable of that.'²⁰⁸

Tito had here clearly identified that he saw the period Yugoslavia had embarked on as a turning point but wanted to take a majority with him. He also appeared to be responding to the calls for him to dissolve the leadership and appoint a new one by suggesting he did not think that necessary. He believed the majority to be with him despite all the nuances that divided them but, by formulating it the way he did, Tito had also left the door open to those who disagreed to find a place in the new course. This would become obvious in that Tito then went on, first, to imply that he had the confidence of the party as a whole and did not fear the security apparatus. Second, he spelt out his support for the reform project. Thus, on the former, Tito expounded on the virtues of the League of Communists before responding to Gošnjak's earlier warning in the name of the armed forces in coded terms:

'Comrades, I follow the international situation. For example, in Burma general Ne Vin has for the second time had to take power in his hands so as to get rid of corrupt elements in the government. The army as the most progressive element had to intervene. We have the party, which has to do the same. While our Army is the defender of our heritage towards the outside. Surely we will not use the Army to maintain our unity. It is the Communist Party which is the factor that ought to do that.'²⁰⁹

That was indeed an oblique threat that Tito, as supreme commander, could use the army to clear out the political scene but the phrasing was such that it indicated to Gošnjak that it was Tito to whom the army answered. The context of the quoted passage, the confidence

²⁰⁸ *ibid.*, 364-365

²⁰⁹ *ibid.*, 366

expressed in the party, gave these words their double meaning: Tito had the confidence of the army and could use the army but he stood with the party and preferred to use it.

That served as the *ouverture* to Tito's explanation of what he thought the party should be used for: economic reform. He spoke at length again about the need to attain unity on economic matters and implored the republic leaders present to counter emanations of disunity in the country.²¹⁰ He again announced a series of meetings that would include the republics to plan for future economic development as agreement was particularly important in a 'multinational' country.²¹¹ While he agreed some immediate measures were necessary, Tito came out in favour of the reform wing that had sought a clearing out personnel in the federal administrative apparatus: 'Let's take people from the republics. Surely, we have people who grew up with practice, who know things and have had experience, and know some theory. And sure, if they don't know everything, it is better that they err because of lack of knowledge than that we should have a hard-boiled, persistent bureaucracy which comes to us in the Federal Executive Council to read out lessons, to all of you who sit there, and you like pupils with your hands on the desks listening to them, listening as some people like Guzina, or whoever, reads their lectures to you! They are our servants, they should be executing the political line we have set in economic policy, not dictating to us.'²¹² Tito in fact upped the ante: 'I demand that we begin as soon as possible with the reorganisation of both the planning institute and...of our other institutions, and not just for planning but of the chambers as well, and whatever else has been developing in anarchic fashion. Huge apparatuses, brother, gulp down billions from our funds, the accumulation which our working people create by their sweat but remain in hunger. I demand this as soon as possible...'²¹³

²¹⁰ *ibid.*, 369-370

²¹¹ *ibid.*, 371

²¹² *ibid.*

²¹³ *ibid.*, 371-372

Having made clear his diagnosis of the problem, Tito went on to suggest the solution:

‘There is one more thing, comrades. If we give funds, we don’t have to distribute them from above. I am against that. We should cease once and for all with the practice of seeking funds here, and then sending them there, and between we have various banks and all sorts of other things, and something stays in each of those places but least gets down there, where it is necessary...We speak of decentralisation. Some comrades have said we have overdone it with decentralisation but I think that, at least in terms of material resources, it has not been overdone, but that we in fact still have centralist tendencies...it appears to me that we have been falling under the influence of various planners...we need to be done with these things.’²¹⁴

Tito then ended with a plea for the little man, the lowly paid worker, and railed against the policies which had increased too much income differentials in the factories: a plea designed to appeal to both reformers and conservatives as Communists.²¹⁵ Tito later regretted his pitch for unity. Careful readers of the historic Fourth Plenum of the Central Committee in July 1966, at which Tito deposed his long-time collaborator Ranković from the SKJ leadership, noted Tito’s regret that he had not taken decisive action in the spring of 1962 against the conservative forces in the leadership, which had stalled market reform by several years.²¹⁶ This contrasted with rumours which had him indecisive for much of 1962: ‘Tito’s initial reaction, when he returned to the country and was confronted by the economic situation, had been to blame decentralisation of investment funds for the excess demand which had destroyed the boom and to opt for rigid recentralisation, but...he was then shown evidence that about 80 percent of investment funds remained under effective but financially irresponsible central control, despite formal decentralisation...he was therefore no longer willing to support the centralist position...’²¹⁷ While these rumours presented the flip-flop as having occurred over several months in mid-1962, the evidence suggests that Tito certainly appeared to have shifted his emphasis over the three days in spring of 1962. Yet Tito

²¹⁴ *ibid.*, 372

²¹⁵ *ibid.*, 373-374

²¹⁶ Bilandžić. *Historija Socijalističke Federativne Republike Jugoslavije*, 265

²¹⁷ Rusinow, *Yugoslav Experiment*, 123

appeared more hostile to political than economic decentralisation. His fear was political disintegration and he appeared to realise that the forces of reform and conservatism were finely balanced. He therefore in all likelihood sought to find a new equilibrium given that the old was clearly beyond reach.

From the Executive Committee meeting to the Plenum of the Central Committee and Beyond

Tito's performance on the day was a qualified endorsement of the reform agenda. The resolution drawn up as an internal statement represented a compromise document but one that had the deep imprint of the reform agenda. The first part of the resolution referred to the Letter of February 1958 and repeated many of its stipulations about political discipline.²¹⁸ The second part of the resolution on the short-term economic measures reflected a more reformist bent: a more stimulating income system linked to productivity; state activism to reflate the economy and push exports as the means to overcome the balance of payments deficit and subordinate imports for that purpose; imposition of saving in personal expenditure; decrease in the rate of investment suggesting a more gradual path than envisaged by the more radical five-year plan; decrease in social and non-productive spending; ensuring liquidity; and cuts to federal spending and increases in revenue.²¹⁹ The third part sought permission for the Secretariat of the Executive Committee to draft a letter to the various leaderships involved instructing them to act accordingly.²²⁰ The reform wing appeared to view the decisions as insufficient but also felt sufficiently emboldened to act. This became obvious two weeks after the extended meeting, the Executive met again to take stock of the meetings of the republic Executive Committees that met to discuss the extended

²¹⁸ AJ 507-III/88, 375-378

²¹⁹ *ibid.*, 378-381

²²⁰ *ibid.*, 381

March Executive Committee meeting.²²¹ The federal leadership faced an apparent challenge from the Slovene leadership. Ranković, Tito, Kardelj and Vlahović all criticised the Slovenes along similar lines. Ranković perhaps most eloquently summarised the issues:

‘It appears that the matter at hand truly is about a closing into “their” circle. He thinks that none of this will have a good effect on members and lower leaderships when they compare our Conclusions and the conclusions of the Executive Committee of the CC LC of Slovenia. It would be abominable if we got people in the situation where they decide and declare for one or the other. There is an impression that the comrades have not addressed phenomena and problems in their own republic [*kod sebe*]. They have not established their position on the adopted stances and shared problems. They have somehow taken on the role of defending from someone social self-management. If this implies the federal bureaucracy then it can equally be said that there is no less of that [bureaucracy] in the republics.’²²²

Tito followed and expressed surprise that Marinko and Leskošek ‘did not see that because that course is opposed to the line of the League of Communists of Yugoslavia’.²²³ Marinko and Leskošek disagreed. Both were adamant that the Slovene Executive Committee had expressed self-criticism and condemned nationalism. Marinko claimed that the Slovenes had not understood that their resolutions should parrot those of the federal Executive Committee. Leskošek agreed and went further to suggest that in Slovenia the problem was too much looking westwards but saw no dangers in the resolution adopted by the Slovene Executive Committee. Marinko spoke again to add that much discussion had taken place about the need to renew the leadership with younger cadres.²²⁴ Kardelj felt it necessary to repeat the criticisms raised by Ranković and Tito, asserting that practicism had prevailed among the Slovenes and that the party was demobilised, as evidenced by the lack of a single Marxist journal in Slovenia.²²⁵ Vlahović rounded the criticisms off by asserting there was none of the sense of urgency in the Slovene resolution around the situation as there was in the other

²²¹ AJ 507-III/89, ‘Zapisnik sa sednice izvršnog komiteta Centralnog komiteta SKJ, održane 3. aprila 1962. godine u zgradi izvršnog veća na Novom Beogradu’

²²² *ibid.*, 2

²²³ *ibid.*, 2-3

²²⁴ *ibid.*, 3-4

²²⁵ *ibid.*, 4

republics.²²⁶ The Executive Committee then decided to set up a meeting between the Secretariats of the federal and republic CCs in order to communicate its criticisms to the Slovenes and to work out a plan to rectify the situation. It also decided to circulate the resolutions to all the republic CCs.²²⁷ Further clarification on the situation requires research into the work of the federal Secretariat of the CC.

Nevertheless, the momentum that the reform wing had established was not significantly weakened by the intransigence of the Slovenes. If anything, their activities did not appear to unduly worry the leadership in the short term. The Executive Committee met within ten days again to discuss the new constitution,²²⁸ which has widely been recognised as an achievement of the reform wing.²²⁹ Tito delivered his famous speech in Split in the first days of May 1962 which served as the basis for the belief that the re-assertion of the party was tantamount to a conservative backlash.²³⁰ Nothing could have been further from the truth. The EC reconvened less than two weeks after Tito's speech to examine the effects of the various resolutions and Tito's speech on mass work in all the republics.²³¹ This revealed that Tito had not been vacillating in his beliefs and in fact had begun to calm down despite frustration over individual aspects of the process of getting out of recession. His response to claims from republic leaderships that the Executive Committee letter and his speech had gone down well in party ranks and in the workplaces confirmed this:

‘Comrade TITO concludes that, on the basis of these discussions and the information which has become known to him, the results hitherto of the reception of the Letter can be assessed as positive. He underlined that all those things presented in the Letter, as everything he said in his speech in Split, have a

²²⁶ *ibid.*, 4-5

²²⁷ *ibid.*, 5

²²⁸ AJ 507-III/90

²²⁹ See for more: Hondius, *Yugoslav Community of Nations*, Chapter 8. See also, Rusinow, *Yugoslav Experiment*, Chapter 5

²³⁰ See for instance Rusinow, *Yugoslav Experiment*, 120

²³¹ AJ 507-III/91, ‘Zapisnik sa sednice Izvršnog komiteta Centralnog komiteta Saveza komunista Jugoslavije, održane 18. maja 1962. godine u zgradi Saveznog izvršnog veća’

secondary, political character, since all those things he talked about would have a negative political effect unless we liquidate them. However, economics is the important thing – the economic situation in the country. He believes that our planning system is not correctly built, that the world market was inadequately researched, and that our economic development and international trade has consequently not been arranged properly. He emphasised that this entire problem has to be taken very seriously, so that the best way to move quicker towards a new, normal way of developing our economy, much calmer and with fewer oscillations. If necessary, a group of comrades could be formed to study this problem in a Marxist way.²³²

Further steps in the reform direction became evident as Tito felt compelled to argue that, while wild income differentials in firms should be brought down and wage increases awarded only for productivity increases, blanket reductions of consumption should not be countenanced since that would endanger recovery from recession.²³³ Yet the national question continued to loom large behind the veneer of stability. Kardelj followed Tito swiftly afterwards at the meeting of the Executive Committee to update on the situation in the Federal Executive Council. He posited that the subcommittees that Todorović had promised in March would provide movement forward in planning in fact ended up unworkable: 'In the commission, they ended up divided – Slovenes and Croats on one side, as the more developed ones, the others on the other side. Therefore in order to get out of this situation and to resolve the problem, it is necessary to take a clear stance on the issues of backwardness and underdevelopment and the politics towards those regions, since that is the most frequent cause of disunity.'²³⁴

Indeed, the situation had got so serious that: 'Now we have two different views. First, the system is to blame. Second, the plan is to blame. Some put in doubt our entire system, even the system of workers' self-management[. H]owever, economic problems had their roots in

²³² *ibid.*, 12

²³³ *ibid.*, 12-13

²³⁴ *ibid.*, 13

the economics [by which Kardelj meant, the plan].²³⁵ Just as in the March meeting, Kardelj insisted that he had been right about over-optimism in the previous plan and called for careful research before the next party plenum was called. Over the long term, therefore, he saw the role of experts on the rise and the re-organisation of the federal government as crucial to success. Indeed, reform forces retained control in the federal government with Krajer replacing Todorović as economic chief and Stambolić replacing Tito as head of government. In the short term, though, Kardelj saw the need for moral stimulants to replace economic ones: 'In relation to political work, it is noted that it is necessary to struggle for calm and optimism, to mobilise all forces for the rekindling of the economy, since a dose of apathy and lethargy had become noticeable.'²³⁶

This again echoed Tito's use of political mobilisation as a constant but secondary approach in strategic terms but one that at opportune moments played an important role on a tactical level. The need for caution therefore reflected not just the requirements of national balances but also co-optation of forces from below for the reform effort. Workers' self-management here continued to play a decisive role because it was identified with the economic strategies of the prevailing reform wing of the SKJ. An added moderating element to this concoction was the low level of party cadres, activity and organisation, to which the lengthy intervention from Ranković attested to: maximum tactical flexibility could only be achieved by the leadership if the mechanism for executing complex manoeuvres was in a state to perform them. It was simply not, as new rank-and-file members showed a low ideological level; territorial organisations maintained abstract levels of analysis; the influence of political troublemakers (Djilasites and Cominformists) or state employees with their bureaucratic attitudes sowed confusion; the press often responded in wildly exaggerated campaigns, for instance attacking

²³⁵ *ibid.*, 14

²³⁶ *ibid.*, 14-15

directors 'frontally' which could damage longer-term economic viability; a general anti-authority feeling was spreading in the party as a result of the Letter; and because any change of heart in the rank-and-file would lag behind the leadership which would have to take time to find its own new line and reconcile differences in the coming period.²³⁷ Ranković later on also suggested measures to restrict car use among officials to reduce political dissatisfaction.²³⁸

The necessity for institutional change also acted as a barrier for more decisive shifts in 1962. Kardelj detailed significant institutional reshaping of the economic edifice of the party-state as the second item on the order paper at the same meeting of the Executive Committee in line with what Tito had suggested in March. With minor revisions, his plan passed at the Executive Committee.²³⁹ Proposed changes to the trade union federation produced significant disagreement at the Executive Committee, however, providing a further obstacle to decisive change so soon after the leadership had taken the decision to intensify the reform effort. Tempo suffered his first reversal since 1958 when his elaborate plan to strengthen industrial branches at the expense of territorial branches, especially on the level of the republics, despite lukewarm support from Tito and Kardelj, ran into ferocious opposition from Pucar, Veselinov and Ranković. Tito acceded to pressures to continue consultations over the issue, forcing Tempo to accept the need to go through further negotiations on the matter, something he plainly resented. He felt he had gone through proper procedure already and that the Bosnian and Serbian unions were stalling. The postponement of reform here, and its eventual derailment, was a manifest compromise to keep the conservative forces on board.²⁴⁰

²³⁷ *ibid.*, 16-21

²³⁸ *ibid.*, 30

²³⁹ *ibid.*, 23-25

²⁴⁰ *ibid.*, 15, 26-29, See for later developments Although see Carl. F. Lenkowski, *Trade Unions and the Socialist Market-Economy of Yugoslavia*, MSc Thesis, Southern Connecticut State College, 1973, 7

The party leadership soon decided to call an authoritative Party Plenum for July.²⁴¹ Any hope for decisive breakthroughs would not have been realistic in the context of economic troubles, national divisions, institutional weaknesses, political divergence and the novelty of the situation. Moreover, Lendvai's and Rusinow's presentation of the Fourth Plenum as a point respectively of the upper hand of the conservative faction or of uncertainty amid Tito's prevarication suffered from a misunderstanding of the context and balance of forces in the SKJ leadership. By this point, the five-year plan had been abandoned in mid-stream and new representatives of the reform wing had risen to prominence. Therefore, Lendvai's contention that Ranković delivered the keynote address, that few north-westerners spoke and that the two combined were a sign of the reformers' weakness was superficial in the extreme. The fact of the matter was that Krajger who spoke on the economic situation, Minić who presented the plan for 1963 and Komar who spoke on agricultural policy all represented the reform wing in their respective republics: Slovenia, Serbia and Croatia. The new head of government, Stambolić, had proclaimed agreement with the reform agenda at the preceding Executive Committee meeting too. He spoke at the meeting from reform positions, once again emphasising the priority of export industries.²⁴² Finally, the resolution of the Fourth Plenum²⁴³ showed less of the alleged contradiction between the amalgamation of economic units and continued belief in political decentralisation. Such a set of conclusions formally followed as a matter of course from the proclaimed aims of, on the one hand, creating Yugoslav enterprises, a Yugoslav working class and a Yugoslav market, and, on the other hand, leaving more resources to decentralised credit agencies and local government bodies. If there was incoherence to these plans, it was certainly not in the realm of abstract logic.

²⁴¹ AJ 507-II/22, 'IV Plenum CK SKJ, 22-23 VII 1962 god.'

²⁴² *ibid.*, 41-52

²⁴³ *ibid.*, 146-161

For the government policy agenda and overall direction adopted in the period of spring and summer in 1962 did not represent a qualitative departure from the 'Yugoslav Road to Socialism' as codified by the 1958 programme. Nevertheless, qualitative changes had occurred in terms of how planning would occur, how resources and people would be mobilised to achieve aims, and who would execute much of this policy. This was first of all visible in that the republics had begun to be actors in their own right, by way of their own party-state apparatus, its mass organisations and their organs of self-management. While before 1962, the national question had always been present in the forums of the federation, it had been federal institutional actors that had held decisive initiative in overall policy making, policy execution and mass mobilisation. This had been particularly obvious with the role of the trade unions in creating momentum for reform between 1958 and 1962. Even as the reform movement continued to hold the upper hand following the fateful meetings of early 1962, its most dynamic element had in fact become the Slovene party-state leadership which effectively took its agenda independently to the rank-and-file in order to maintain the impetus for reform outside the divided federal party-state institutions. The reluctance of the federal leadership to punish the Slovenes in any way, and in fact the promotion of one of its leading figures to ministerial post at federal level, showed that action had paid off. With the federal institutions becoming weighed down by political debates, which relied increasingly on national bases of support, the focus for political actors began to slowly shift towards forms of activity that could guarantee them maximum freedom of manoeuvre. The advantage of those republican leaders who could present themselves as capable of relating best to the international market appears to have been decisive in ideological terms to their maintenance of hegemony in the leadership. Yet that came with a price. The resulting centrifugal pulls on the federation had become the dominant new feature of political life in the 1960s.

Conclusion

This chapter has shown this new dynamic from a novel perspective made possible by the availability of new archival evidence, in particular of the key extended Executive Committee meetings of February 1958 and March 1962. The chapter's ability to show how the emphasis of the reform wing had changed in terms of mobilisation from one set of sectional-functional institutions to a different, national-territorial one, provides a new, social dimension to the understanding of the development of politics in Yugoslavia. Moreover, the chapter clarifies beyond doubt some of the gray areas of a key turning point in Yugoslav history and argues for a need to see 1962 as a milestone year. The impact of its argument that the reform wing had at no point lost its dominance and had the tacit support of Tito is to suggest that the dynamic of the factional struggle of the mid-1960s would have to be seen as a rearguard action by a weak conservative rump with its limited base in the federal state apparatus and some of the less developed republics attempting against the odds to stall a reform process that had received a significant new push in 1962. With the economic 'great debate' about to begin in public, launched in effect at the two congresses of professional economists in the winter of 1962-1963, the body politic of Yugoslavia had indeed begun to decisively change in favour of more pluralism. The dominance of the national question in the development of state-society relations at such a crucial juncture, however, weakened greatly the possibility of new actors to take pan-Yugoslav positions, as the paralysis of the trade unions at the end of this process bore witness.

An examination of the failure of the attempt to create a Yugoslav market in the 1960s falls out of the remit of this thesis but the impact of the national question on the politics of reform in this early period forms the unavoidable background to any attempt to do so. The intention

had clearly been there but the modes chosen to achieve it had set the odds against success. The process that followed in the 1960s is well captured by Susan Woodward in her review article on the major scholarship on that decade:

'Top-level personnel changes occurred at the March 1962 meeting. But only when the diplomatic negotiations of the fall of 1963 sealed the commitment to the further liberalization of foreign trade and "territorialization" of defense in 1965 (with their consequences for international alliances and domestic policies), could a party congress be called to enact the new party statute and mobilize the troops. Delayed until December 1964, the congress set the stage for what was now labeled "the Reform," and for the constitutional amendments that followed...With federal investment resources gone, the principles of development assistance succumbed to the relative bargaining strengths among republics. Where once investment policy had been implemented by budgetary allotments or differential rates to accommodate multiple goals (as in tariff policy), the fate of the republics' economies and revenue bases now depended on uniform rules ("objective" in the debates) for allocating money. Within somewhat flexible budget constraints, multiple objectives that could earlier be made complementary became increasingly incompatible.'²⁴⁴

That opened a new epoch in Yugoslav history with significantly different rules, actors and dynamics. It was only then that Yugoslavia opened to the world market, at least temporarily, in more consistent and systematic fashion in contrast with the compromises of the 1961 reforms.²⁴⁵ Nevertheless, that ambition had clearly existed beforehand and its importance to every reform following 1958 was patent and explicit in policy debates at the highest level. This became particularly acute with the course taken following the decisions of the 1962 Executive Committee meeting and Central Committee Plenums. As Diane Flaherty put it, '[w]age policy complemented fiscal policy. In 1962 workers councils were given power over a larger share of net income (an estimated 47% in 1962 relative to 26% in the late 1950s). But not all changes were necessarily beneficial to enterprises. Fiscal decentralisation was to be accomplished on the expenditure side by the removal of subsidies to less 'efficient' enterprises. The principle of enterprise autonomy was to operate together with that of own

²⁴⁴ Susan Woodward, 'Reforming a Socialist State: Ideology and Public Finance in Yugoslavia', in *World Politics*, Vol. 41, No. 2 (Jan., 1989), 296-297

²⁴⁵ See Diane Flaherty, 'Economic reform and foreign trade in Yugoslavia', in *Cambridge Journal of Economics* 1982, 6, 105-143

responsibility for success or failure.²⁴⁶ That had in fact been precisely what the reform wing had sought. In the words of Marinko at the extended Executive Committee meeting in 1962: 'We today nowhere in this country have a single enterprise which we can say we forced into liquidation because it is not profitable...We will not thereby be able to go for international competition...It is necessary for credits to obligate [the borrower] much more and for the fulfilment of obligations for credit granted to be fulfilled both in time and in sum, and in so far as it is not fulfilled, the collective which has taken on such investments, should bear the consequences'.²⁴⁷ To achieve these goals, the reform wing used the Slovene republic apparatus as the successor to the trade unions, to act as the battering ram for the world market in Yugoslavia, reigniting the national question for the first time since 1945.

²⁴⁶ *ibid.*, 116

²⁴⁷ AJ 507-III/88, 102, 103, 105

Conclusion

The re-opening of the national question in Yugoslavia in 1962 did not make the country's disintegration or the ensuing war three decades later inevitable. Indeed, the reform movement despite its perennial advantage never won a complete victory. Even after the removal of Ranković in 1966, similar oscillations between, and combinations of, centralisation and decentralisation, economic and political emphases to policy, market and mobilisation, material and moral rewards, gradualism and radicalism, elitism and populism, pedagogical and exhortative forms of persuasion, persuasion and coercion, participation and mobilisation, continued until the 1980s.¹ No simple deduction can therefore be made from the initial decade and a half of the 'Yugoslav Road to Socialism' to the rest of the Communist period.

Nevertheless, this thesis sheds new light on the conflicts of the 1950s and provides tools for the reinterpretation of political conflicts in later periods of Yugoslav history. It does so in several ways. First, by viewing the elites and the lower echelons of the party-state as the transmission belt of the pressures of the world economy on the workplace, following the country's expulsion from the Soviet bloc, this thesis shows that the imperative to accumulate and to catch up with the advanced industrialised states intensified the tendency towards conflict from the bottom up.² Second, and complementary, by concentrating on policies towards labour and situating politics firmly within resulting state-society conflicts, refracted from the shop-floor upwards through the various echelons of the party-state, this thesis opens

¹ See Woodward, *Socialist Unemployment*, Chapters 6-10. Arguably, the turn towards mass mobilisation for political ends in Serbia in the 1980s contributed to the collapse of the country, see Nebojša Vladislavljević, *Serbia's Antibureaucratic Revolution: Milošević, The Fall of Communism and Nationalist Mobilization*, Basingstoke [England]; New York: Palgrave Macmillan, 2008

² For the centrality of the external factor to the understanding of social formations in the debates relating to the nature of the Communist countries, see Mike Haynes, "Marxism and the Russian Question in the Wake of the Soviet Collapse", *Historical Materialism*, 10, 4 (2002), 317-362.

the door to understanding Yugoslav politics from, among others, the standpoint of class struggle.³ Third, the thesis demonstrates that struggles over development strategy interacted with struggles for roots in social constituencies, within and sometimes beyond the boundaries of acceptable political discourse. These overlapped with geopolitical pressures, with deviations from the dominant market reform wing of the bureaucracy leaning West and the conservatives seen as potentially leaning East, with the majority in favour of non-alignment. Fourth, having failed to decisively defeat each other in the politics of the federal apparatus, the two wings refrained from unleashing the forces of class struggle, opting instead for safer routes to attaining favourable policy resolutions. These would result in the slow demotion of pan-Yugoslav actors within either coalition and ultimately in a retreat into the safest legitimate source of social roots and territorial-functional power in the multinational federation: the republic-based apparatuses, assets and work collectives.

The International Dimension and the Shop-Floor

The thesis demonstrated these trends over three different periods, thus verifying their more than transitory character. The preference for external aid to alleviate the pressures of domestic accumulation for development over self-reliance became clear in such diverse ways as the struggle against Hebrang in 1946 amid the belief gradualism would retard development and jeopardise Soviet credits to finance an ambitious programme of industrialisation, the opting for the market-oriented income-sharing system after 1956 to cope with American aid moving from grant to loan basis, and with the choice of deepening the export-orientation of

³ Much debate exists over how to characterise the social formations and ruling elites of Eastern Europe. See for a brief overview David Lane, *The Rise & Fall of State Socialism*, Blackwell Publishers Inc., Cambridge, 1996, Chapter 7. This thesis certainly provides a *prima facie* to argue that they constituted a ruling class presiding over bureaucratic state capitalism. For more, see Tony Cliff, *State Capitalism in Russia*, London: Pluto Press, 1974, Chris Harman, *Class Struggles in Eastern Europe 1945-83*, Bookmarks, London, 1988, and David McNally, *Against the Market: Political Economy, Market Socialism and the Marxist Critique*, Verso, London: New York: 1993

the economy as the response to the recession of 1961-1962. This certainly presents a level of continuity across the period. Nevertheless, the forced choice to turn West rather than East changed the mechanisms by which external aid could be utilised.

In relation to labour policy, this manifested itself in an orientation towards greater use of market mechanisms. The relationship was not always direct but became ever more so. The first symbolic departure from preferring moral to material incentives occurred after the break with Stalin but as a result of internal strains rather than Western credits. The thesis therefore showed that the mass mobilisation characteristic of the period before 1948 accelerated in 1949 to forestall collapse but in the process blunted the party-state's instruments of persuasion and for development, a process slowly reversed only after Western credits began to flow in 1952. Meanwhile, the introduction of workers' councils in 1950 represented the dual nature of the times: the democratising tendencies of mass mobilisation and its concomitant structural failure to develop an intensive rather than extensive productivity drive. The Communists erected a new gradualist economic system around worker management that tried to link more closely wages and productivity, using the system of accumulation and funds. The process of market reform proceeded unevenly, as shown in the middle chapter of the thesis, with a retreat from the more adventurous but faulty AF system to the more controlled profit-sharing mechanism of 1954-1957. The return of economic growth in this period did not however lead to peace on the shop-floor. City-country imbalances led to food shortages, causing massive worker resistance, taking multifarious forms falling short of open confrontation like strike action, to the imperatives of state-backed management. It is likely that foreign credits both facilitated this central imbalance in the economy and dampened its

worst effects on the shop-floor, making credit continuation indispensable to the Yugoslav leadership even when aid switched to loan basis.⁴

It was the imperative to return loans in international currencies that thenceforth required greater reliance on market incentives for increasing labour productivity. Changes to the wage system adopted in 1958 registered this ambition. Greater reliance on the market only exacerbated shop-floor tensions but anomalous taxation rates that penalised those with older machinery and plant created additional administrative distortions to the reform programme. While intended as a redistributive measure in the preceding period to raise industry in less developed regions, this policy now caused dissatisfaction in the reform camp as it acted as a brake on the industrial modernisation of enterprises with more skilled collectives and dampened the impact of reform on the balance of payments deficit. It also provoked the first labour strike, which ignited a wave of stoppages over wages, variously in response to administrative and market measures alike, across republic borders.⁵ This meant that the situation was more volatile with every market reform. The shift towards income sharing in 1958 therefore suggested that, whereas before struggles had developed over what amounts central funds would release for whom, as seen in the opening chapter, the differential impact of uniform central regulations would cause more dynamic conflicts over policy, a process analysed in the closing chapter. Despite progress for the market reform wing with an even more liberal shake-up being adopted in 1961, stalemate in the centre strengthened centrifugal pulls on the federation by 1962. This comparatively strengthened horizontal struggles between republics at the expense of vertical struggles between the state as employer and the working class, which had been the prevailing conflict of the profit-sharing years.

⁴ According to Dyker, US aid and loans significantly improved the Yugoslav ability to import production inputs, maintain a high investment ratio and run a substantial deficit on the agricultural balance of trade between 1953 and 1959, thus easing supply pressures to cities at a time of rapid urbanisation. Dyker, *Socialism, Development and Debt*, 42-43.

⁵ Jovanov, *Radnički štrajkovi*, 95-102

Market, Mobilisation and Political Conflict

Political struggles, then, developed on the terrain of state-society conflict but were not reducible to it. The leadership had to be attentive to the potential geopolitical expression that opposition could take, lest challenges arose to its chosen developmental path. Moreover, clashes were understood in ideological terms. Ideology played an important role in that it often defined what concrete social forces were preferable allies during various phases of development but also in regard to what social forces deviationists could ally with. All the same, while the geopolitical and ideological aspects of the political process have received ample commentary in the historiography, their connection with social struggles has not. This thesis emphasised this connection throughout, showing that Party leaders analysed the social struggles underlying the Hebrang case in 1946 and 1948, the Djilas affair in 1953-1954, the fear of the Hungarian scenario in 1956, and the changes of 1958 and its aftermath. As seen in the first chapter, Hebrang's demise took place at a time when radicalism was the order of the day. This reflected the leadership's desire to move towards industrialisation at a faster pace. By accusing Hebrang of 'state capitalist' deviation and refusal to move 'forward' towards NEP, the leadership implied not only that Hebrang misunderstood objective economic laws but also that he was soft on the state apparatus and that he had no faith in the popular masses. Hebrang's later siding with Stalin against Tito provided a further element to the ideological narrative of the 'Yugoslav Road to Socialism'. The Yugoslav Communists expected centralist forces to look to the USSR for support.

Similar concrete analysis of social forces developed around the removal of Djilas but provided a contrasting pole to the potential pro-Soviet axis in Yugoslavia. This time, the fear

was that excessive radicalism and populism would play into the hands of a coalition uniting opportunist elements of the party-state apparatus, corrupted by the market, emboldened privateer elements in industry and agriculture, and the remnants of the bourgeoisie. With the AF system producing irrational economic results, workers appeared desperate enough to fall behind criminal or populist directors, whatever the cost to the community. The second chapter of this thesis showed that the leadership believed that the populism of the press and intellectuals, who looked to Djilas as an authority, would unwittingly raise expectations among workers, which the state could not satisfy. That would only legitimate anti-systemic elements in the eyes of the work collectives. Djilas's close relationship with Western social-democrats, especially the British Labour Party, moreover, appeared to prompt his challenge to single-party rule. The Central Committee feared that that would be a rallying call for all potential pro-Western sympathisers. Djilas himself appeared not to dismiss that constituency, which made him all the more perilous and resulted in his dismissal from high post.

Indeed, the twin dangers to the revolution of 'bureaucratism' that, 'developed to the full', represented 'the restoration of state capitalist relations', and 'anarchist and pseudo-liberal' attempts, by weakening the state, to 'undermine the very leadership role of the socialist forces' and 'prepare the way for the antisocialist forces', both came to be written into the Party programme in 1958.⁶ They had come to represent the paradigm through which the dominant section of the leadership viewed most subsequent challenges to its rule.⁷ Nevertheless, the further complication arose when lower echelons within the party-state apparatus embarked on their own initiatives. This was more difficult to define and appeared to preoccupy the leadership on more subtle levels than open political confrontation within the SKJ apex. The trade unions embodied the major representative of this trend through most of

⁶ *Program Saveza komunista Jugoslavije*, Kultura: Beograd, 1958, 115

⁷ See the ground-breaking Jović, *Jugoslavija, Država koja je odumrla*

the 1950s, only to be displaced by the republic leaderships towards the beginning of the 1960s.

The analysis of the role of the unions in the 'Yugoslav Road to Socialism' is perhaps the major contribution of this thesis. The unions most concretely reflected the ambitions of the party-state in the sphere of industrial relations. Their privileged access to the shop-floor and the organs of worker management also made them sensitive to rank-and-file moods however. This combination makes them indispensable to an understanding of the power relations between the state and the working class, an insight that has totally escaped the historiography. Yet they were not simply Janus-faced but relatively autonomous actors within the party-state. The unions at several junctures challenged the policies of the party-state leadership, most notably during 1949, from a position of strength as a consequence of the democratising tendencies of the mass labour mobilisation of that year; during the mid-1950s, when union rank-and-file apparently adapted *en masse* to the pressures of the shop-floor against management in times of scarcity; and finally as part of an elite-driven but autonomous and divisive campaign for market reform of the wage system in 1958-1961. While limiting their rebellions to particular policies, the unions used their autonomy to take up in varying degrees the interests and demands of their immediate constituents to carve out a better position for themselves. Being the organisation most organically linked to both the working class and to workers' councils, the SSJ constantly sought to enhance the role played by its constituents since that would strengthen the SSJ itself. The unions thus pushed for more worker involvement in the functioning of self-management in 1949, 1953-1955, and 1957, and their leaders often clashed openly with economic policy-makers in Party and SSRNJ forums from the standpoint of the interests of workers. As shown, this not infrequently bore results, intended and unintended, as unions forced changes to legislation or raised expectations of

change in the workplace, sometimes causing the party-state serious trouble. This became clear in the middle chapter of the thesis in the run-up to the strike in Trbovlje.

The Party leadership finally decided thereafter to install a more reliable, technocratic and liberal leadership in the unions to make them a more pliant tool. Judging by the strike wave that developed in 1958-1962, and its expression entirely outside official structures, the unions did not wholly succeed in establishing themselves as the trusted organ of the rank-and-file. This had not been the intent, however. In fact, the unions embarked on a campaign to widen the proportion of social income at the disposal the self-management sector, which amounted to an endorsement of the market reform goal taken up by the leadership majority after the Hungarian crisis in 1956. Both the way they went about getting that goal and articulating their demands, however, continued to pose a challenge to the stability of the party-state. Even though they evidently had the tacit support of Tito and Kardelj, the unions' open campaign against conservative desires to move slowly on wage reform caused the fractures opened by the Trbovlje strike to widen. Indeed, at one point, and at the behest of Dragi Stamenković, Ranković and Tito, Tempo had to withdraw part of his address to the 1959 SSJ Congress where he called for the unions to have the right and duty 'to form their own positions on all social matters'.⁸

It is instructive in order to show the importance of the insight for later periods in Yugoslav history to temporarily pursue the unions beyond the remit of the thesis. Despite the constant setbacks for Tempo, including his relative marginalisation by 1961-1962 in comparison with the Slovene wing of the reform movement, his activities continued to pose both an advantage and disadvantage for the reformers through the 1960s. Tempo later claimed that, during the

⁸ See Rusinow, *Yugoslav Experiment*, 117

struggle against Ranković, Tito backed union attempts at creating a 'second Central Committee' in 1964, quoting Tito to the effect that 'If those people charged with the task cannot create [a Central Committee], then you [in the Unions] do it!'⁹ All the same, once Ranković was removed, the perennial union obsession with making the organs of self-management work in the interests of the collective gripped and toppled Tempo. His renewed campaign against management and in favour of the blue-collar workers in late 1966 soon left him without his post in the unions and he was slowly eased out of the leadership of the Party as well.¹⁰ His successor Dušan Petrović Šane '[a]t the Sixth Trade Union Congress in June 1968...came into open conflict with the majority of the delegates over the issue of open balloting, but was elected to the TU presidium at the bottom of the list, with only 816 out of 1,261 votes. His subsequent re-election as president was due to the unqualified support he enjoyed from the party organization.'¹¹

While Rusinow's celebrated history of the elite conflict in Yugoslavia stands out for registering the key role unions played in domestic politics in the late 1950s and early 1960s, based largely on Tempo's memoirs, his account still presents this episode as an aberration, perhaps largely explained by Tempo's personality.¹² Yet while unions consistently played a leading role in reform Communist movements in the 1960s elsewhere in Eastern Europe, no serious analysis of their role in the reform process has hitherto been attempted for the Yugoslav case.¹³ This thesis has shown that Tempo's time at the helm was exceptional only

⁹ Vukmanović Tempo, *Revolucija koja teče*, 429

¹⁰ *ibid.*, 407-501, Rusinow, *Yugoslav Experiment*, 337

¹¹ 'Biographies of Trade Union Leaders in Eastern Europe', 17.5.1973, Open Society Archives, Accessed electronically: <http://www.osaarchivum.org/files/holdings/300/8/3/text/114-3-134.shtml> [Date accessed: 10.04.2011]

¹² Rusinow, *Yugoslav Experiment*, Chapter 4

¹³ Although see Carl F. Lenkowski, *Trade Unions and the Socialist Market-Economy of Yugoslavia*. See also Alex Pravda, 'Industrial Workers: Patterns of Dissent, Opposition and Accommodation', in Rudolf L. Tokes, *Opposition in Eastern Europe*, London: Macmillan [for] St Antony's College, Oxford 1, 1979. More generally: Alex Pravda and Blair A. Ruble (Eds.), *Trade Unions in Communist States*, Boston; London: Allen&Unwin, 1986

in that his leadership proved more capable than that of his predecessor Salaj, and that the circumstances politically were temporarily propitious for the unions. Nevertheless, even Tempo succumbed to the same tendencies that characterised much of the leadership in the 1950s. While it is not clear that the causes for this behaviour were identical before and after 1958, there is certainly a powerful case for understanding the role the unions played as to some motivated by pressures from below as well as by the populist desire to harness pressures from below to attain goals set by union leaders themselves.

From this standpoint, the demotion of the unions in 1961-1962 within the market reform coalition and of Tempo himself from positions of authority in the later 1960s becomes indicative of the leadership's reservations about manipulating forces from below. The unions were clearly a double-edged sword for the Party majority in that they called for the greater proportion of social income to go to enterprises but also busied themselves with internal distribution of income in the enterprises. While there was relative agreement that promotion of skilled workers against management was the correct policy, the danger was that union leaders would take up the cause of the less skilled, as did indeed transpire with Tempo. Thus, Tempo's rebellion contained the seeds of workplace democracy and centralised radicalism, which transcended the dichotomy predicted by the 1958 Party Programme.¹⁴ If the unions carried the seeds of a different, worker Yugoslavism, then the constant watch over, and purges of, their leadership prevented the unions from developing even a basic syndicalism. Their decentralisation in 1964, moreover, all but ended their role as an all-Yugoslav actor.

Finally, the relegation of the unions is instructive about the ideological framework of the leading forces among the Yugoslav Communists. While the Hebrang and Djilas cases

¹⁴ Tempo later resurfaced during Milošević's 'anti-bureaucratic revolution' as a keen supporter. See Jović, *Jugoslavija, Država koja je odumrla*, 400-401

illustrated what role different classes should play, the case of the unions defined the limits of that role. The Party's inability to define a stable role for the unions throughout the post-1948 period and its constant tendency to temper the influence of the unions was suggestive of its continued discomfort with its own purported class base. When they resorted to intensifying political methods, as in 1958, the Yugoslav Communists were careful to subordinate these to economic reform and political stability. Elitism, technocracy, persuasion, gradualism and correction of local abuses continued to be the emphasis. Periodic campaigns served more to re-establish vertical capacity to direct local activists in an ever more decentralised and complex setting. This may in part explain Tito's consistent reluctance to push Ranković. The SKJ played an invaluable role in a context that Tito felt was in constant flux. He emphasised the need for politics at every juncture and distrusted the rising technocracy that accompanied much of the market reform package. This later came to the fore in the conservative retrenchment following the Yugoslav 1968.¹⁵

The ascendancy of the republics, registered towards the end of the third chapter, added the final layer in the levels of political mediation discussed in this thesis. Facilitated by the market reforms of 1958 and 1961, this development has never received sufficient study in its initial phases as most accounts tended to concentrate on developments after 1962.¹⁶ That open intimations of factions at the republic level first appeared in EC discussions after the strikes in Trbovlje, though, showed just how much the unleashing of class struggle for political ends caused uneasiness at the top. The mass mobilisation of 1949 for economic ends had caused lingering problems for most of the 1950s in terms of industrial relations. Any hint of its potential use in inter-republic relations caused dread. No one explicitly stated that they saw in Trbovlje the spark for a national conflagration but the highly moralistic tones struck

¹⁵ Rusinow, *Yugoslav Experiment*, Chapter 8. See also: Nebojša Popov, *Društveni sukobi – Izazov sociologiji, 'Beogradski jun' 1968*, Javno preduzeće, Službeni glasnik, Beograd, 2008.

¹⁶ Burg, *Conflict and Cohesion*, Ramet, *Nationalism and Federalism*, Cohen and Warwick, *Political Cohesion*

against the Slovene leadership hinted that fear of the national question combining with forces from below did exist.

While the much clearer and more explicit discussion of the national question in the EC in 1962, moreover, brought forth more bitterness than panic, it did not prevent the continued bullishness of the Slovene Party. This was so important that contemporary gossip brought alleged Slovene separatism into Western historiography but its illumination through the archival evidence suggests that the Slovene Party had reason to be pleased with its interventions. Slovene historians have indeed studied the ascent of the Slovene liberalism in the republic and federation in the later 1960s but their attention was more on its achievements and failures in office than its formation as a tendency.¹⁷ Certainly, the tendency towards domestic mobilisation to attain federal goals suggested that the heritage of the period 1958-1962 was more sinister on a deeper level in that it created the precedent not simply for defence of territorial assets but also for displacing conflicts to the federation. What Kardelj's role in this process was, and what perceptions of the Slovene attitude in the other republics might have been, though, remains a mystery. That it would have received at least informal discussion in leading circles and informed policy over the 1960s is certain and poses important intellectual and research challenges for historians. Ranković's claim that the unity of the Serbian republic was in danger certainly foreshadowed later Serbian unease with constitutional reform, particularly in 1974.¹⁸ The part Slovenia's export prowess played during the crucial months of 1962 in reigniting the national question, moreover, is an important indication, elucidated in the last chapter of this thesis, that no comprehensive

¹⁷ See for example Božo Repe, *'Liberalizem' v Sloveniji*, Ljubljana: RO ZZB NOV Slovenije, 1992; and Božo Repe and Jože Prinčič, *Pred časom: portret Staneta Kavčiča*, Ljubljana: Modrijan, 2009. The latter is a biography of a trade union functionary who subsequently held high government office and showed liberal tendencies. He was not an exceptional unionist in that regard in the late 1960s. See Rusinow, *Yugoslav Experiment*, 227

¹⁸ Again, see Jović, *Jugoslavija, Država koja je odumrla*, Chapter 3

treatment of the national question is complete without an assessment of its basis in the market and geo-politics in this crucial period.

Wider utility

This thesis has shown, then, that the external market was definitive of the development strategy the 'Yugoslav Road to Socialism' pursued from its inception. The world market shaped decisively the re-ordering of economic, social and political life after 1948. Particular reference to policy towards labour unlocked several hitherto unexplored avenues of understanding politics under the self-management system that complement the groundbreaking works of Susan Woodward on a number of levels. By presenting a narrative, told primarily through an examination of the activities of the highest forums of the party-state, to explain the passage from a command-and-control system to a variant of regulated market economy with worker participation in which two economic-political schemes remained locked in tense yet complementary fashion, this thesis overcomes the gap in Woodward's account of the rise of the Slovene model. It does so by establishing the intention of, and then charting the progressive approximation towards, the achievement of economic openness through the 1950s. This is important in that it overcomes the major criticisms of Woodward's work laid out in the *Introduction* of this thesis. First, it provides counter-arguments to claims that Woodward's critique of mainstream accounts of the political economy of Yugoslavia falls at the first hurdle by never reaching its point of departure in the 1960s. Second, it shows that the international system strengthened massively those elements that sought the continuation of the Slovene model at two different crisis points, in 1956 and 1961-1962, suggesting the primacy of the international system over its adherents, and the comparative weakness in turn of its official opponents.

While space does not allow for an elaboration or assessment of Woodward's contribution to the debate on the collapse of Yugoslavia, which is certainly recognised as substantial, this thesis shows that some of her assumptions about later periods, especially around the need to concentrate on systems and policies as opposed to solely elites, can fruitfully be applied to the 1950s even when she failed to do so. Moreover, Woodward's structural analysis is widely criticised for 'slighting...political leadership'.¹⁹ The major contribution of this thesis was to use Woodward's insights but to shift attention from the causes of unemployment as in her account to view instead the impact of the clash between international capital and the Yugoslav shop-floor on the various institutions of the 'Yugoslav Road to Socialism' that mediated this relationship. By doing so, this thesis not only reinterpreted the struggles of the 1950s but provided a mode of extrapolating to later political struggles.

Without further research, it was difficult to claim more than intriguing *prima facie* suggestions for re-interpretations and further research. Perhaps the insight with most originality and utility provided by this thesis regarded the trade unions. Explaining the failure of the working class institutions to reach a level of autonomy promised in the self-management system by reference to the systematic attempt to prevent them attaining a political perspective through the 1950s and the early 1960s is of value to formulating the background for the alienation of workers from their institutions and wider society during the 1970s.²⁰ That in turn helps explain the violent extra- and anti-systemic clashes of the 1980s. It could further be posited that the illumination of the struggles arising from the shop-floor and their demobilisation and displacement by inter-republic struggles in the 1950s and 1960s also

¹⁹ Lampe, *The Journal of Economic History*, Vol. 56, No. 3 (Sep., 1996), 725

²⁰ Neda G. Novaković, *Propadanje radničke klase, Materijalni i društveni položaj radničke klase Jugoslavije od 1960. do 1990. godine*, Rad, Beograd, 2007.

re-ran the basic dynamic of the extreme and concentrated struggles of the 1980s.²¹ Something of this was also foreseen with some bitterness by Tempo himself in the concluding passage of his memoirs. In recounting the hostile media response to his campaign in defence of the blue collar workers suffering under the intensified market regime, Tempo did not conceal his impression that the revolution had been betrayed by its own leadership: ‘Turning to the criticisms of *Ekonomomska politika*, I said more in jest: “‘The fire of income’ does not impact equally on all members of the collective! Workers find themselves in the middle of that fire, while the administration is on the edges.” The Sarajevo paper *Oslobođenje* carried a caricature on that subject: in the middle of a great fire there is a worker, and I am pushing the official towards the fire...he is putting up resistance...he is addressing me and angrily shouting: “And you, comrade Tempo?!” The caricaturist said no more! But I would nevertheless add: “Yes, us too!”’²²

²¹ This is brilliantly reconstructed by Jake Lowinger, ‘Economic Reform and the ‘Double Movement’ in Yugoslavia: An analysis of Labor Unrest and Ethno-nationalism in the 1980s’, PhD Diss, Johns Hopkins University, Baltimore, Maryland, 2009

²² Vukmanović Tempo, *Revolucija koja teče*, 500-501

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