Yugoslavia and the World System

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Abstract

This dissertation examines the economic development in Yugoslavia and the causes of the disintegration of Yugoslavia. Contrary to the opinion widely spread in the West, according to which the bloody disintegration of Yugoslavia was about old religious and nationalist enmities, which were suppressed only during communist rule, I argue that the Yugoslav crisis and the disintegration of the state had above all economic causes. The question of why and how the whole Yugoslav development process based on self - management socialism and one-party rule repeatedly generated harsh conflicts between the republics has a special significance in this work. The more the development of the self-governing mechanism progressed, the more elements of the market penetrated the Yugoslav system. The possibility of using this work for international development is to make Wallerstein's world system analysis on Yugoslavia as a unit of study to determine the existing characteristics and disparities, which were possibly responsible for its disintegration.

Keywords: Yugoslavia, self-management, socialism, world system theory

Abbreviations

COMECON	**The Council for Mutual Economic Assistance**
COMINFORM	**The Information Bureau of the Communist and Workers' Parties**
CPY	**The Communist Party of Yugoslavia**
EC	**European Comunity**
IMF	**International Monetary Fund**
LCY	**The League of Communists of Yugoslavia**
OECD	**The Organisation for Economic Co-operation and Development**
SFRY	**The *Socialist Federal Republic of Yugoslavia***

1. Introduction

If we regard the concepts of capitalism and socialism as only dichotomous, this cannot consider the varieties of the two often contradictory social models. Primarily through the developments after the Second World War (East-West conflict/de-colonialization) and the adoption of capitalist or socialist development models in principle by the vast majority of states worldwide, not only new development-theoretical paradigms were created but also implemented in the complex practice of social exchange relations in various forms.

On the one hand, a more or less broad spectrum of possibilities for modification or differently economic policy guidelines of a development model was open to the actors responsible for action at the level of implementation. On the other hand, attempts to mediate between capitalism and socialism could be observed, attempts that were either nipped in the bud domestically because of the block confrontation, ended with the break to the „big sister" (as in the case of Yugoslavia), or entailed military intervention with subsequent years of brutal repression (as in the case of Chile after Pinochet's coup in 1973).

The vigorous action of the Yugoslav leadership in the late 1940s, conscious that the Soviet leadership would not allow „alternative experiments" under their eyes, meant the state's guaranteed autonomy in the Balkans (Lampe, 2000). This, however, also marked the beginning of a tightrope walk for the architects of the self-government that had only to be defined for the practice of a peripheral country: a step too far in the „eastern" direction (implementation of Stalinism with a Yugoslav character) could mean the cessation of bitterly needed aid payments from the Western bloc. The crossing of the „Western" border, on the other hand, would inevitably have resulted in the complete inclusion of a socialist state in the constraints of the capitalist world market. This was finally achieved to a limited extent in the last years of the existence of the SFRY (Socialist Federal Republic of Yugoslavia).

Finally, Yugoslavia shaped the policy of the non-aligned countries, which primarily sought economic cooperation. The fact that ideas of self – management still have social relevance is showed by Serbian workers' attempt to secure a livelihood with their own company owned by shares-despite all resistance from institutional politics.

But how is it to be understood that Yugoslavia, as they reconstituted it after the Second World War, had not, like other European countries, taken a clearly defined path of development on the side of one of the two poles of capitalism or state socialism?

For the present work, the dynamics of interaction between the political-administrative levels, i.e., the federal state, republics/autonomous provinces, enterprises, and the possibilities and limits of reformist or emancipatory practices within the administrative units addressed are analyzed. The result serves to explain the changes of the Yugoslav Federation in its last political decades and to identify the driving forces behind the gradual disintegration of the multi-ethnic state.

As shown, in the run-up to the last major constitutional amendment in 1974, reforms in the SFRY took place which, on the one hand, were characterized by their programmatic orientation towards socialism, but on the other hand – concerning combating bureaucratic tendencies towards a form of state capitalism, as the official doctrine was – had contained more and more market-economic elements. The increasing shift of fiscal policy options from federal authorities to the republics and municipalities' levels did not occur overnight. Still, the available set of separatist measures in the individual republics increased significantly. Combined with the increased external dependence of Yugoslavia over the period 1974-91 through borrowing, persistent trade deficits, and implementing structural adjustment programs (from the 1980s onwards), the economic situation deteriorated dramatically, so that in the last decade of the Federation's existence there was no more economic growth. As soon as there were no more wealth gains for distribution, the historical development differences between North and South manifested themselves in increasingly disintegrating tendencies of the republics and sub-republics of the SFRY.

Especially from the point of view of International Development, the World Economic Order successfully initiated by neoliberal ideologues and the accompanying serious consequences for the former socialist multi-ethnic state and is a significant issue. After all, the idea for the research-guiding interest arises from the asymmetries and divergences in the present day's capitalist world system. The interdisciplinary study is mainly intended to reflect the former Yugoslavia's economic connections to the capitalist centers if they existed. In addition to investigating endogenous factors, it should show that the gradual creeping destruction of the multi-ethnic state was an integral part of capitalist ideology. As research and our teaching, International Development, has long known capitalism, in order to exist and expand, needs new economic spaces, which it peacefully or forcibly assimilates.

The Yugoslavian state collapse theme enjoys great popularity and is already considered a „classic" of modern transition research. The thesis also does not claim completeness around the declaration on the South Slavic multi-ethnic state's dissolution. The possibility of using this work for international development is to make Wallerstein's world system analysis on Yugoslavia as a unit of study to determine the existing characteristics and disparities, which were possibly responsible for its disintegration. The disintegration and dismantling of Yugoslavia has been the focus of my interest from the very beginning. The theme of transition in the former socialist countries of Eastern and Southeastern Europe accompanied me like a common thread throughout my studies. As a result, it was also a great and honest request for me to have written a work that also carries this topic further. This situation also enabled me to look at the subject from a different perspective, and not only from the perspective of a „Western analyst" who has no personal connection to the developments in the former multi-ethnic state and interprets the causes and consequences in a Eurocentric way.

However, endogenous factors did not exclusively favor the collapse of the state. Still, it was triggered mainly by exogenous factors and actions to incorporate the country, in the sense of neoliberal world order, as an economic periphery to the Western capitalist centers. The refusal of the further opening of the national market and the refusal of the privatization of state property had eventually led to a severe confrontation with the capitalist centers. The result was an end to Yugoslavia and a gradation of the newly created small states into socio-economic fringes. This interpretation is my own contribution which is rarely mentioned in literature and in the media and in radically different from the stereotypes of public opinion about the breakup of Yugoslavia.

Nobody will know the whole truth about the Yugoslav drama. But it is precisely the theories of International Development that has the task of analyzing divergences, showing realities, and offering related concepts and solutions to minimize existing and future disparities and injustices in human development, as they existed in Yugoslavia, for future generations, especially for those in developing countries. In this regard, this dissertation should help gain a better understanding of the Yugoslav state's dissolution. Such a view could contribute as an additional potential to sharpen awareness and critical thinking in International Development.

Theoretical embedding and scientific methodology

I conducted a methodical qualitative content analysis. The procedure of the investigation of the complex of topics the Yugoslav disintegration process from the perspective of the development economy thus consisted of my selection of literature and data suitable for the topic, their analysis as well as the evaluation and interpretation of the research results. In my approach to this subject of interdisciplinary basic research, I relied on a wide range of sources. The literature I used for the work was composed, alongside Wallerstein's important work, Marxist approaches, and current analyses of the political and socio-economic developments in Yugoslavia. To enable a reasonably balanced view, I used in addition to the well-known „Western literature", with works by authors from the former Yugoslavia. The causes and consequences were recorded and examined from the Yugoslav state's perspective as a whole, with its multi-ethnic population, religious and cultural communities.

An interdisciplinary approach offered me the opportunity to analyze the topic from several points of view and logically interweave it. I want to explain the *peripheralization* and Yugoslavia's dissolution, with the corresponding mechanisms, forms, and accompanying phenomena. Besides a continuously parallel writing process, the literature research period extended to complete the work. The reflected investigation period and the associated history began with the founding of the multi-ethnic state in 1919 and ended with Yugoslavia's dissolution in 2006.

The first part of my paper will structure and describe the political and economic development of Yugoslavia. The aim is to identify and communicate dynamics, interactions and characteristics that are underpinned by a wealth of qualitative data. From the economic analysis, insights were to be gained about the causes of the creeping dismantling of the multi-ethnic state, which were incorporated into the concept of Wallerstein's world system theory as comparative investigation units. The development theory I have chosen will clarify whether Yugoslavia in its existence is to be classified as a dependent (semi-) periphery or capitalist center. The dependency theory, the Wallerstein world system approach, will explain the multi-ethnic state's position in the capitalist world economy until its disintegration and the reactions and consequences of this bond for the country.

A theory of development and dependency underpins the theoretical framework of reference to the „world system theory" of Immanuel Wallerstein, which forms my dissertation foundation. The unit of analysis will be Yugoslavia from 1919 to 2006, which depends on the capitalist centers. We must not regard the theoretical framework as a rigid, unchangeable construct. Instead, Wallerstein's world system theory is conditioned by other concepts and approaches-not indoctrinated by neoliberal ideologists-in order to guarantee a certain degree of „scientific objectivity."

I regard the embedded main theories and the approaches and ideas intertwined with them as the foundations of this investigation. On the one hand, it should check my assertions theoretically with the concept of the state function and the dependency theory. On the other hand, they should serve me as points of reference. The last part of this work answers the question of what effect the center-periphery connection had on Yugoslavia and whether my theses can be verified. My chosen topic can be described in terms of content by formulating the following sets of questions: If we apply the world system theory to Yugoslavia, how could the state's relation to the capitalist centers be defined? At what point and under what characteristics could the country's integration into the capitalist world trade structure be determined, and how could a connection be established between the socio-economic development of Yugoslavia and the development of the world economy? Was the country in its existence to be classified as a periphery, semi-periphery, or even as a capitalist center concerning Wallerstein's theory of dependence? What indicators are available to us here?

Given that Yugoslavia functioned as a periphery, how and in what form did neoliberalism actors, more precisely the global corporations, financial institutions, lobbying governments, and economic elites, succeed in subverting and deforming the sovereignty of Yugoslavia? What advantages could the capitalist centers expect from creating a „fringe zone of Yugoslavia," even from the final destruction of Yugoslavia? For what reasons did the country's disintegration remain, but why did the multi-ethnic state have to be destroyed?

Hypotheses

Different ethnic, cultural, or religious views often justify the end of Yugoslavia and the people's diverse interests, but usually also by economic underdevelopment and „Balkan mentality". However, few people know that other factors caused the country's demise. After Tito died in 1980, a political vacuum was created, which was quickly filled by intra-party power struggles and intrigues. However, the new players were no longer loyal communists who believed in the Yugoslav project but elites who pursued their own interests, above all financial and power politics. These elites played an essential role in the country's break-up; for years, they pushed ahead with the decentralization of state institutions and persistently planned more national policies. Since they were concerned with increasing productive capacity, expanding trade and generating profit would have been unthinkable with a socialist economic policy and its market-economy restrictions.

The gradual decentralization of institutions and decisions at the regional level made federal coordination of the federal budget impossible. It led to an enormous weakening of the state and an impoverishment of other sections of the population. Social competencies and instruments fell out of the hands of the weak state. Lack of state care, economic struggles for distribution, and job losses led to rebellion—optimal conditions for nationalism, separatism, and civil war.

With the second founding of Yugoslavia, this time under the communist flag, and the simultaneous departure from the Soviet Union, which culminated in the „rupture of Tito with Stalin" in 1948, the small country, in order to develop economically, depended on partners from the West alongside the socialist allies, which led to an ever more intensive export orientation of the country. With the founding of the movement of the „non-aligned states," the Yugoslav export market expanded to an infinite size, which led to a hitherto unknown integration into the modern world system. In the seventies and eighties, however, there was a first wave of disintegration; the extermination of the socialist state, however, was not only accompanied by the implosion of the Soviet Union but was preceded by a neoliberal policy, which found its way into the economic and social life of the Yugoslav population through so-called „structural adjustment programs." The International Monetary Fund and the World Bank served as destructive and influential instruments for the neoliberal players to bring about the state collapse in Yugoslavia, as well as in countless other emerging and developing countries.

In the course of the gradual disappearance of export markets and a deterioration of the terms of trade and the „oil shocks" that occurred in 1973/79, which forced a wide-ranging borrowing from international financial organizations, the economy of Yugoslavia increasingly weakened. The end of the common South Slavic state was initiated at the latest with the IMF's premises and the World Bank's structural adjustment programs, which brought about an all-encompassing liberalisation of the economy. The crushing increase in the interest burden of the loans led to a further massive debt of the state and, as a result, to economic struggles for distribution.

In the beginning, the break-up of Yugoslavia was not conceived at all. Even a weak peripheral state ensures the safe transfer of economic values to the centers. It is regarded as the guarantor of a capitalist social order by securing free competition and the associated capital accumulation. The course of the final partition of Yugoslavia could have assumed a momentum of its own, coupled with separatism and capital interests of individuals, the ongoing social change that was intensified by international socialism's implosion and the imposing recognition of individual European Community (EC) states.

2. The political economy of Yugoslavia under Tito

The country positioned itself very early as an export nation. It mainly depended on capitalist partner countries because of the break with the Soviet Union, which also included an end to „solidarity-based economic aid." The dependence of Yugoslavia on the capitalist centers was only for a short time characterized by ideological and political unbinding, as this chapter will now show.

2.1 The phase of administrative socialism 1945-1950 and the beginning of self-governing socialism

In the "backward first Yugoslavia" (1919-1941) there was an unregulated market, but its reach remained very limited. In particular, the rural population, which made up over 70% of the total population before the Second World War, was only marginally involved in capitalist market in their everyday lives. Although it sold its surplus production and bought finished goods, its way of life was highly self-sufficient and remained foreign to any economy oriented towards operational profitability. Strictly, from a macroeconomic perspective, there was no national economy in the first Yugoslavia (Benson, 2004).

The historical background of the various regions of Yugoslavia was of great importance for their development. Before the First World War, the northern regions (Slovenia, Croatia, and the autonomous region of Vojvodina) belonged to the Austro-Hungarian monarchy, which was then in industrialization sought to extract raw materials and cheap labor from its colonies. Therefore, there was a basic structure in these regions, especially roads and railways, which also formed the basis of construction after the war. Also, the population in this part was already qualified, employed in the industrial sector, and represented one of the largest labor movements in the Balkans. In contrast, the Turks occupied the Yugoslav south (Macedonia, Montenegro, Bosnia-Herzegovina, and Serbia) for 500 years. Thus, the mode of production of the locals remained largely unchanged. However, they demanded taxes and other levies. People lived in extended families; they shared work and products among themselves (Benson, 2004). The Second World War almost destroyed the weak economic life and its infrastructural conditions. From 1941 to 1945, 1.7 million people fell victim to the war in Yugoslavia. Besides, there was significant material damage. With the reconstruction of the destroyed country, the socialist transformation of the economy went hand in hand. After the first wave of confiscation, which mainly affected the "collaborators" and ethnic Germans' assets, by the end of 1945, around 80% of the most essential business companies were already state-owned. The nationalization of the entire economy, except for the agricultural sector, was completed by spring 1948 (Benson, 2004a).

To set an economic dynamic in motion, the Communist Party of Yugoslavia (CPY) initially adopted the command economic instruments from the Soviet Union of the 20s and 30s. The starting point of this phase of „administrative socialism" was the „Basic Law on State Enterprises" of July 1946. Between the Ministries of Economy and the companies' management, there was an „administrative-operational body" – general or main directorate – which directed a larger number of similar companies (Uvalić, 2018). With the „Law on the Five - Year Plan for the Development of the National Economy in the years 1947-51", it adopted a first comprehensive plan based on the experiences of the Soviet Union. The act contained an ambitious development program with priority to expand raw materials and heavy industry. The plan envisaged a five-fold increase in the sector compared to 1939. This was the departure of an underdeveloped and backward agricultural country into the „Industrial Revolution" (Horvat, 1971).

The opinion that the CPY led Yugoslavia into modernity and that the Yugoslavian unique way was a way of modernization may seem contradictory at first glance. The epitome of modern society is the pluralistic multi-party democracy and the free market economy. The CPY has overridden these two elements. They introduced the market economic elements only gradually and partially, and the multi-party system came only shortly before the end of Yugoslavia. How can this path be described as a modernization path? This becomes clearer if one does not treat Western democracy and market economy as patterns that have always existed and can be found everywhere but consider them contingent phenomena that arose in a particular historical phase and at a certain level of development of the productive forces. Market economy and pluralist democracy can only develop and function where people act as citizens and commodity subjects. They have the nation-state and the national economy as a prerequisite.

Thus, the process of catch-up modernization comprises two essential elements: the formation of modern statehood and the development of a modern national economy. Although parliamentary institutions existed on paper in pre-war Yugoslavia, there was neither a functioning pluralist democracy nor a popular economy in the modern sense (Lampe, 2000).

The precondition of any modernization strategy, namely the separation of the direct producers from their means of subsistence (Bonefeld, 2011), could not be achieved in Yugoslavia as in the Soviet Union by forced collectivization, since the mass of the partisans were peasants and the CPY would thus have lost its basis (Horvat, 1971). Nevertheless, significant ownership changes occurred in the agricultural sector in the first years after the war. With the adoption of the Law on Agrarian Reform and colonization, it set the maximum limit for private land ownership at 25 to 35 ha. Expropriations affected political opponents," collaborators", large landowners, banks, large companies, churches and the displaced Germans. Almost 1.6 million land funds were distributed to 316,000 families, including many "colonists" from the underdeveloped Yugoslavia regions, who found a new home in Vojvodina and Slavonia (Benson, 2004a). Instead of forced collectivization, the Yugoslav state gave positive incentives for industrialization by establishing new factories everywhere and especially in rural regions, regardless of their profitability, and ensuring that the living conditions of the young industrial workers were more attractive than those in the countryside. Most of the rural population flocked to the factories and engaged in agriculture, mostly after work.

The state directed the investment funds predominantly into the production goods sector and ensured an artificial reduction of energy and raw materials. The Yugoslav leadership transferred one-third of the national income to the industrial investment funds to build a heavy industrial base (Lampe, 2000). However, this industrialization's decisive prerequisite was the forced redistribution of income from the pre-industrial sector, especially from agriculture. The expansion of the industrial sector, where value creation was initially too low, was made possible by massive interventions in the exchange relations between agriculture and the finished goods sector. The central government systematically pushed down agricultural prices, and it artificially reduced agricultural products compared with industrial goods (Kukić, 2020). Supplemented by a corresponding control system, this ensured the flow of resources favoring the industrial sector that was being established.

Also, the state ensured that a foreign trade monopoly sealed off the internal market. On the one hand, this made it impossible for disadvantaged agricultural producers to switch to external markets. On the other hand, it protected the young Yugoslav industry from foreign competition. In this way, the so-called primitive accumulation, the separation of the direct agricultural producers from their landholdings, and their transformation into modern workers took place in Yugoslavia (Uvalić, 2018). This process, which sometimes lasted for centuries in other regions of the world and was associated with great suffering for many people, proceeded surprisingly quickly and relatively smoothly in Yugoslavia. On the road to modernization and industrialization, no other realistic alternative was available to the Yugoslav leadership. This was Yugoslavia's first step into a workers' goods and money society, with all the consequences that occurred later.

Although the state planning of the economy was central in this first phase, the CPY leadership renounced unity, the declaration of a unified Yugoslav nation. The Yugoslav Constitution, which came into force on 31 January 1946, declared Croats, Serbs, Slovenes, Montenegrins, and Macedonians alike to be state-supporting peoples. The CPY promised to abolish the "supremacy of Great Serbia" between the World Wars and centralism and give the state a federal structure based on the Soviet model. The ideals of brotherhood (bratstvo) and unity (jedinstvo) became fundamental components of official ideology in the post-war period (Lampe, 2000).

The Federal People's Republic of Yugoslavia (Federativna Narodna Republika Jugoslavija-FNRJ) consisted of six republics: Serbia, Croatia, Slovenia, Bosnia-Herzegovina, Montenegro, and Macedonia. The Constitution assigned two nationally mixed territories to the People's Republic of Serbia: the autonomous province of Vojvodina (with a Hungarian minority) and the Autonomous Province of Kosovo-Metohija (with Albanian minority). The Constitution had federalist features. In the People's Assembly framework had two Houses: the Federal Council, elected by all citizens, and the Council of Nationalities elected in the republics and autonomous regions. However, the sovereignty of the member states (each with its constitutions and governments) was limited by the federation's rights. At the highest political level, unity and leadership of the CPY and especially of the Tito's remained unchallenged (*Constitution Of The Federative People's Republic Of Yugoslavia (1946)*, n.d.)

According to the Constitution, three types of property existed side by side: state property, the property of the "people's cooperative organizations" and private property, the latter being increasingly restricted by various laws.

Central economic planning aimed at balancing the underdeveloped – formerly Ottoman – regions of the Southeast and the economically more efficient northwestern regions – from former Austro-Hungarian territory. The republics and regions oriented their economy towards the general concept of Yugoslav development. Even the individual companies were subject to central planning down to the last detail. Since all profits flowed to Belgrade and Belgrade simultaneously incurred all costs and losses, the allocation of funds practically resulted in the subsidization of the underproductive south by the economically better-off Northwest. These non-repayable funds were used to build so-called "political factories" in Bosnia - Herzegovina, Montenegro and Macedonia, and expand the education and health sectors of the less developed republics from which the national minorities also benefited (Benson, 2004). By diverting investment and other budget resources to the south, the aim was to reduce the development gap between the underdeveloped southern republics and the relatively rich Slovenia and Croatia. The process should cause a homogeneous and modern Yugoslav economy. But reality took an opposite course.

Yugoslavia was the only country in Europe that had built up the socialist state and social order on its own after the Second World War. According to Jeronim Perovic „Yugoslavia had been pursuing its own course toward socialism from the first days of the partisan resistance in 1941, not just since 1948". The new Yugoslav government sought to preserve its independence and sovereignty from both the major capitalist powers and the Soviet Union from the outset. Already in May, Tito had emphasized the firm will to independence in a speech: "we ask that everyone be the master of his realm, we will not pay the bills of others, we will not be a bargaining chip, we will not be involved in some politics of interest spheres." (Žarković, n.d.)

Yugoslavia had to defend itself strongly against the hegemonic attempts from both sides. The capitalist states, in contrast to the other states of Eastern Europe governed by communist parties, tried to bind the strategically important country to themselves through aid and loans. Between 1945 and 1947, goods and assets amounting to 327 million US dollars were delivered through the UN, including food, medicines and equipment for 70% of the destroyed industry and infrastructure. The Soviet government did not want to tolerate the relative independence of Yugoslav politics and tried to bring it under greater control by diplomatic pressure and economic means. Thus, by 1948, the USSR had 50% control of Yugoslav foreign trade, established joint ventures with Yugoslav companies, and granted loans – to a small extent – (Žarković n.d.).

The development of socialist transformation in Yugoslavia was much faster and with less resistance than in the other popular democracies. Stalin followed this development with distrust because it could jeopardize his leading role and the central position of the Soviet Union in the communist world (Lampe, 2000). Also, Yugoslavia's strategic position as a transit area to the Adriatic Sea and as a gateway to Italy and Greece in the years after the war was of great importance for the USSR.

The CPY leadership did not want to subordinate itself to the principle of the international division of labour prescribed by Stalin, which leaves the other socialist states in the role of suppliers of raw materials to the Soviet Union. Tito agreed with the General Secretary of the Bulgarian Communist Party, Georgi Dimitrov, in August 1947 to draw up an assistance pact and a customs union. Further plans called for forming a federation that would include Bulgaria, Yugoslavia, Albania, Romania, Hungary, Poland, Czechoslovakia, and possibly Greece (Bled Agreement) (Lampe, 2000). Stalin perceived these intentions as treason, and relations between Belgrade and Moscow deteriorated. The Soviet threats escalated with Yugoslavia's expulsion from the Communist World Organization (Cominform) on the traditional June 28, 1948 (anniversary of the Battle of Blackbird Field). This was followed by the Cold War of the Soviet camp against Yugoslavia, with media campaigns, economic blockade, and military threats. The economic blockade hit the country hard because of its economic dependence on the Eastern Bloc states. At the same time, the "healthy forces" in the CPY were called upon to overthrow their leadership. Tito also reacted with Stalinist means: the Moscow-loyal communists were arrested and sent to a concentration camp on the northern Adriatic island of Goli Otok, in total around 12,000-13,000 people (Benson, 2004a). The situation worsened, and border incidents and provocations increased. However, it was not a „hot" war because the Western powers declared they would not remain neutral in case of an attack on Yugoslavia. During the crisis, which lasted until Stalin's death in 1953, the Yugoslav leadership went from the defensive to the offensive. Thus, communism developed from a monolithic to a polycentric system (Horvat, 1971).

The dispute with Stalin triggered a fundamental criticism of Stalinism within the CPY. A group of theorists, most notably Milovan Djilas, made a series of demands directed against the danger of state dirigisme in society and concluded „that the Russians weren't genuine socialists; that the Yugoslavs were; and that their conflict with each other grew out of this contradiction" (Muravchik, 1983). The phase of dialogue and experiment born of the criticism of Soviet dogmatism led to the development of those forces in the CPY, which sought to strengthen the individual companies' position and their recognition as economic subjects. The potential conflict already arose from the removal of the Moscow-loyal wing of the CPY. Since the latter consistently advocated a centralized command economy based on the Soviet model, it also questioned the planned economy and the previous socialism concept. The Yugoslav Communists found the answer to the „true" form of communism in the self-management of the workers and citizens. The self-management socialism of Yugoslavia emerged as a" third way" between capitalism and state socialism.

2.2. Self-governing socialism

The theoretical foundations of self-governing socialism

There was a closed theoretical concept behind self-management socialism, which is especially true for the initial phase. The new line emerged more or less from a chain of empirically derived experimental ad hoc measures. The theoretical derivation took place mainly through an interpretation of Marx's works, especially in the early writings. In the „Communist Manifesto" of 1848, the Yugoslav Communists could find a central point of reference for their ideas and thus also for the theoretical examination of the Soviet version of socialism. In it, Marx and Engels described the concentration of „production in the hands of the associated individuals" as a prerequisite for the „free development of all" (Horvat, 1971). Although they spoke of transferring „all instruments of production into the hands of the state", they only establish state property for a transitional period in which the state is merely the instrument of domination by the proletariat. The state should appropriate the means of production in society's name, but this is its last independent act as a state before „dying off".

The founders of the Yugoslav self-management system could also rely on their country's people's traditional ideas. Under the influence of Western socialist ideas and the Paris Commune, the Serbs Svetozar Markovic and Dimitrije Cenic had already in the 19th century developed reflections on the participation of the workers in the management of enterprises. The concept of Markovic was a unified self-governing system in which all territorial administrative bodies, communities, and organizations should be organized according to self-governing principles (Horvat, 1971).

The concept of social property is to be strictly distinguished from state property. According to Yugoslav conviction, state property is as foreign to socialism as private property since it makes up a monopoly of economic and political power and contributes to the workers' exploitation. By transferring means of production to the labor collectives, these become social property. Thus, the collectives take over the administration and the decision-making authority over the means of social production by determining the company policy, independently deciding concerning property rights and the conclusion of contracts, and disposing of the added value created in the company or its distribution. The administration of the society's funds can not be withdrawn from the collective (Jakovljevic, 2016).

The Yugoslav model of self-management, a unique social experiment, appeared for years to the democratic left as a kind of third way between capitalism and real socialism, as an attempt at radical democratization of society and economy, as a hopeful departure into a better time and as an answer to the growing problems of modernity. The Yugoslavs believed this model would make it possible for working people to self-determine mainly because there would be no more exploitation of employees by capitalists or by the state since the working people would be workers and employers at the same time.

Yugoslav self-management in practice

The relatively early introduction of self-management gave the party a new, anti-Stalinist identity and economic reasons. It was foreseeable that the central administrative economy in its pure form would lead to insufficient motivation and flexibility in the enterprises. Now the producers themselves should draw up the respective company's plans, with which the companies automatically received a certain autonomy and market economic elements would become effective. The new economic system led to a new form of the market economy, the "socialist market economy." (Estrin, 1991)

The first steps towards workers' self-management were already taken in 1949 when workers' councils were introduced in 215 selected companies. With the Basic Law on the Management of State Economic Enterprises by Workers' Collectives adopted in June 1950, the „workers' self-administration" was institutionalized (Jakovljevic, 2016). In well over 6,000 companies, the workforce elected the workers' councils, each of which had between 15 and 120 members (Uvalić, 2018). Although the councils had the legal right to decide on all critical management issues, their position vis-à-vis the state-supervised director was minimal. Thus, the party fully kept total control over the economy, especially over the use of surplus value, because it feared a „state of anarchy." The workers' self-management was thus more symbolic initially, but it started a process in which the state gradually withdrew from economic life.

As early as 1952, businesses had the right to keep between 3% and 17 % (depending on the branch of industry) of the profits generated to cover wage income and social and cultural expenditure for the community. In 1953, they transferred the operational goods of production to the enterprises, which had to pay interest to the central government to compensate for their use (Jakovljevic, 2016). The rigid administrative management of supply and demand has since given way to a limited approval of the „laws of the market." Framework guidelines of the new „Social plan," which gave the individual companies greater leeway (Uvalić, 2018), replaced the previous detailed economic plans. Further steps towards" self-governing socialism" through gradual decentralisation and de-etatisation were the abandonment of the state monopoly on foreign trade, strengthening the autonomy of local authorities, companies, and banks, and transferring of many functions of state and party to socio-political organisations. However, the state government kept influence over long-term planning, the allocation of investments, foreign trade, and price formation (Uvalić, 2018).

However, self-management itself formed a source of conflict, resulting from the tension between a particular interest aimed at the advantage of the working collective on the one hand and the necessity of satisfying the needs of society on the other feeds. They introduced self-government elements that did not, as expected, lead to the promotion of co-determination in the enterprises but were the scene of harsh distribution struggles (Estrin, 1991). I could observe these within the individual enterprises, between the enterprises, and between the individual regions or republics. The major reason for this development lies in the introduction of self-management. It could not eliminate the commodity and monetary character of social production. The individual economic subjects competed at different levels for their share of surplus-value.

I identified four problematic areas in implementing the Self-management in practice:

1. The decision on the surplus-value at the plant level
2. A contradiction between the use of the surplus-value within the plant (consumption or accumulation)
3. Differentiation of the wage structure between the plants from different industries
4. Retention of the surplus-value in the regions in which they produced it

In the following, I briefly explain the four problem areas.

1. Decision on the added value at the operational level

The leading Yugoslavian theorists declared wages to be part of the individual profit in contrast to the capitalist mode of production, in which wages are part of production costs. This corresponded to Marx's theory of surplus-value, according to which surplus value comes only from the factor labour („variable capital"). The other two factors of production, machines and raw materials, merely transferred their value into the new product and were therefore called „fixed capital" by Marx. In the socialist system of self-government, those involved in creating surplus value, the direct producers, should also freely dispose of it (Horvat, 1971).

The Yugoslav Communists essentially eliminated private ownership of the means of production but they did not transform the power "in the name of the working people" into a "power of the working people". The further expansion of the self-management system and transferring of more and more official competences to the base have not changed this. The management, which since the 1960s had been formally only the executive body of the Workers, Council bound by instructions, dominated its decision-making at all times, thanks to its advance in knowledge and its market-technical competence. Although the theoretical foundations for a private appropriation of surplus value were removed, it was observed in practice that with the formation of a layer of professional administrators, the means of production formally passed into the possession of the working people, which decided on their use and the use of surplus value and gained a privileged position in society and became increasingly independent of the worker (Benson, 2004a; Estrin, 1983).

2. Contradiction between the use of the surplus value within the plant for consumption or accumulation

A more substantial participation of the Labour Council members could only be determined if the distribution of income was to be decided. Yet another contradiction emerged: that between the preservation of the interest of the workers on the one hand and the perception of the functions of capital on the other. The duty of the workers, enshrined in the Constitution, was to ensure the prosperity of their enterprise and contribute to the prosperity of society. The self-management bodies were inclined „to' forget , their function of capital and ‚eat up' the share of added value handed over to them to feed the company investment funds to the employees' individual income" (Liotta, 2001) In the conflict of either raising wages and enabling a higher standard of living or investing the added value for the enterprise's well-being and its future, the direct producers mostly chose the first variant. Because of this practice, the state authorities had to continue to step in and order accumulation. As before, they managed a considerable part of the surplus-value.

3. Differentiation of the wage structure between companies from different industries

Despite many attempts, the transformation from wage to „surplus value" could not be introduced by decree and remained an illusion in practice. The number of employees and their working hours were directly reflected in company cost accounting and individual income. The mixture of wage form and profit since the 1950s led to a differentiation of the wage structure characteristic of Yugoslav self-management socialism. While the egalitarian principle could be maintained within the individual companies, the wage differences between the industries and individual manufacturing branches became ever more significant. Personal income depended much more on one's company's success in the socialist market than on one's qualification and one's position within the company hierarchy (Estrin, 1991). Thus, less qualified employees from flourishing companies, from companies with a dominant market position, or from companies whose production was not subject to price regulation were able to achieve a higher income than higher and highly qualified employees in companies with a low market situation (Estrin, 1991).

4. Retention of surplus value in the regions where it was produced

Self-management was introduced not only at the level of producer communities but also in local authorities. Since 1954, the municipalities and republics have taken part in companies' profits based on their territory. Simultaneously, as introducing self-management, the view spread that the surplus-value should remain in the region in which they had also produced it. Because of this trend, the „rich" north of Yugoslavia benefited unilaterally, while the South suffered development losses. In the long term, this had negative effects on the socio-economic unity and thus also on the political unity of the country and became a decisive factor of the internal instability in Yugoslavia. The redistribution of income was a consequence of the division of labor between the republics.

The end of Soviet aid and the drought years of 1950 and 1952 has forced Yugoslavia to import food. In the beginning, foreign exchange procurement on the world market seemed possible only through the increased export of raw materials and agricultural products. The industrial development of, for example, Kosovo or Montenegro in order to save infrastructure costs was severely restricted and reduced to products that were essential for energy and raw material production. To export more capital-intensive finished goods such as furniture or textiles as quickly as possible, expansion, and modernisation of the processing, they promote export-oriented industrial companies from Slovenia and Croatia. Thus, the "division of labour" gradually solidified, which allocated energy and raw material production and labour-intensive production to the southeast, while the northwest was responsible for the processing industry (Estrin, 1983). The state subsidized the less profitable raw material and semi-product producers were mostly in Serbia, Montenegro, and Bosnia-Herzegovina. For example, Slovenia could expand its industrial priority, not least because it got priced ore from Montenegro and cheap coal from Bosnia-Herzegovina. By further developing the operational self-administration, the predominantly in the developed regions resident, more profitable enterprises were preferred, which resulted in a blatant regional income polarization (Estrin & Uvalic, 2008). The same applies to the distribution of investments and thus to the long-term course of the accumulation process.

2.3. Economic development in Yugoslavia until the end of the 1960s

With the transition to self-management socialism, Yugoslavia experienced an economic upswing. In the years after 1953 until the beginning of the 1960s, the growth rates amounted to 10.0% to 17.3 % (Kukić, 2020). Industrialization progressed, and the country reached the European top spot together with Romania in terms of the increase in the gross national product. Within a decade, between 1952 and 1962, the value of industrial production tripled. Since 1955, the low standard of living of all parts of the country's inhabitants has increased considerably. Although the relative differences in development were not resolved, the Yugoslav leadership hoped to catch the entire country in economic dynamics over time.

Since the beginning of the 1960s, the policy of the Western states towards Yugoslavia has also changed. In 1961, the US government responded to Yugoslav involvement in the non-aligned movement and the rapprochement with the USSR by stopping all financial and military aid. Yugoslavia now had to cover its payment deficits vis-à-vis the OECD countries by borrowing on the commercial international financial markets, which led to a quadrupling of foreign debt from 0.35 (1960) to 1.42 billion US dollars (1966) (Benson, 2004a).

Until the end of the 1950s, a kind of dual system existed in Yugoslavia in the sense of simultaneity or the juxtaposition of plan and market. At the turn of the 50s to the 60s, those social and political forces that advocated a solution to the socio-economic problems arising in the dual economic system, the expansion of individual economic autonomy, and market-based decision-making and regulatory processes gained influence. The reforms were introduced successively since the beginning of the 1960s but then implemented comprehensively in 1965 (Estrin, 1983). It demanded these above all by the Slovenian and Croatian government members. It was no coincidence that even then, the conflicts received a national sign. The proponents of the market-economy reforms were in the Northern, rich republics and their party organizations. The „centralists," on the other hand, represented not only the interests of the state apparatus, which feared for its privileges but also the interests of the backward south-eastern regions. In the event of a surrender of the state steering instruments, they feared significant economic setbacks.

The reforms' aim was an even greater integration into the „international division of labour" using drastic increases in exports and the import of modern technology. In order to achieve this, they transferred planning competences from the central government to the republic level, which granted more significant control over the investment funds. Apart from the continuing centrally determining investments in infrastructure, domestic development aid, and the energy sector, all decisions on economic growth measures have now transferred to the autonomous self-governing labour organizations. At the same time, the government dismantled the subsidy network and the customs barriers that shielded the domestic market. The Yugoslav currency, the dinar, was also devalued to make domestic products more competitive on the world market.

Furthermore, the government carried out the de-budgeting of the investment activity. The state transferred the investment funds of municipalities and republics to the banks. The financial institutions had provided only 8.3% of the investment funds in 1963, whereas the public authorities had provided 51.6% (Horvat, 1971). However, the reform did not produce the expected results. The export offensive hoped for with the removal of the customs barriers did not take place. Instead, the superior foreign goods flooded the Yugoslav market. Sales of goods fell, and growth rates fell into the basement. Since the mid-1960s, the decline in growth associated with rapid urbanisation and the switch to a less employment-intensive economy has dramatically increased the number of job seekers. Unemployment exceeded the threshold of 500,000 in 1966 (Bartlett, 1991).

The growth of the trade deficit accelerated further. Since the Yugoslav industry could no longer absorb the labor released from agriculture, Western countries' labor markets took over this function. Since the mid-1960s, large numbers of Yugoslav labour migrants had flocked to Western Europe, especially to West Germany. Meanwhile, the Yugoslav guest workers' remittances became the most important foreign exchange source and contributed decisively to balancing the country's highly deficient balance of payments. While only 15,000 Yugoslavs were still employed abroad in 1960, this number increased to 300,000 by 1965 and then grew continuously to 860,000 by 1973 (Benson, 2004a).

The government completed the vigorous expansion of industrial production and absorbed the population released in the countryside to transition to the "socialist market economy." (Horvat, 1971). The 1965 reform intensified a conflict that was ultimately decisive for the failure of the Yugoslav model: the different interests between the „rich" and „poor" regions and the lack of understanding of one for the other, which repeatedly triggered sharp distributional conflicts. The fact that this was not much different under the interwar years' capitalist social system confirmed that the Yugoslav model of self-government was much more about a catch-up modernization.

Most of the internal conflicts in the League of Communists of Yugoslavia (LCY) after 1945 had an economic interest. This has been clear since the beginning of the 1960s. The economic reform of 1965 practically meant a partial victory of Slovenia and Croatia's developed republics over the remaining four. The „socialist market economy"–this will become increasingly clear later-was based on the same mechanisms and the same internal logic as the market economy of Western coinage, namely the pursuit of one's own interests, if there is no other way, also at the expense of others. The functional logic of both systems is identical: the more they develop according to their internal principles-i.e., if the forces of the system escape „control „- the greater the gap between its" poor „and" rich" elements, whether they are individuals, companies, regions, states or continents.

The creation of a Federal Development Fund could not counteract this tendency. Accordingly, 1.85% (later 1.97%) of the social product generated in the social sector was made available by the more prosperous republics for development aid within Yugoslavia (Uvalić, 2018). The government based the development and industrialization strategy on the Western industrialization model until the mid-1960s. This meant high expansive growth rates, heavy industry primacy and further productivity growth, mass consumer goods production, and technological innovation (mainly via Western imports). It based this strategy on the paradigm of modernization theory, according to which development comprises quantitative growth, increasing per capita income, and transforming a "traditional" into a "modern" society. Yugoslavia experienced an economic boom after the war and was able to record extremely high growth rates.

When expansive growth and restructuring reached their limits in the mid-1960s, the crisis of second Yugoslavia began. The country's development differences became visible, which also increased the potential for dangerous national tensions. Yugoslavia has gradually integrated into the international division of labor since 1948, especially since economic reforms. Western banks, transnational corporations, exporters and importers only focused on their productivity and profitability criteria. With the opening up to the world market, Yugoslavia also opened up to the effects of the crisis phenomena in the industrial countries, which aggravated because the developed countries shifted the adverse consequences to less developed countries in many ways: interest rate increases, protectionism, restrictive conditions of technology transfer, deterioration of commodity prices, foreclosure of the labour market (Woodward, 2003).

2.4. The constitution of 1974 – the beginning of the end

With the fight against the „Croatian Spring," Tito's monopoly of power was restored, but it could fight only the symptoms. As a concession to the nationalist demands, the Yugoslav government subsequently enacted constitutional reforms that further regionalized the political and economic system.

The new constitution, which had already been prepared for a long time, considered these circumstances. The draft Constitution, adopted on 21 February 1974, elevated the republics and autonomous provinces to the real bearers of sovereignty with extensive rights, which even provided – under certain conditions – for the possibility of a declaration of independence and detachment from the Federation. The federal-state demoted to a common instrument of the republics. They based the powerful position of the republics and autonomous provinces above all on anchoring the parliament's consensus principle. In its two houses–the Federal Assembly appointed in proportion to the population and the Council of Republics and Autonomous Provinces composed equally of representatives of the federal units – the delegates were representative bodies of these federal units. Even in the Federal Assembly, the questions that touched „the general interest" of a republic or autonomous province were subject to the principle of consensus and thus to a de facto right of veto (Benson, 2004a). Thus, Yugoslavia became a completely ungovernable country.

In addition, all essential competences for macroeconomic control now fell to the republics and autonomous provinces, which subsequently found quite different individual regulations. This created eight economic areas with their own goods, services, and capital markets. In the years of controversial investment policy as well as in the field of tax and finance, the federal government gave up its previous priority position. Only foreign policy, defence policy (with restrictions), general state security, the concern for a uniform economic and social policy, as well as the definition of general principles of the social and legal order, remained in their sphere of decision (Uvalić, 2018). The parliaments of the republics gained independence from the municipalities, and over the years, the republic headquarters exerted more significant influence on its basis than ever(Lampe, 2000). Another essential part of the constitutional reform concerned wage and company policy. Instead of the „Workers' Council," the most important self–governing body became the „ Basic Organization of Associated Labor „ (BOAL), which comprised between 50 and 500 workers. In large companies, there were thus several primary organizations, which corresponded roughly to the departments there. At the general meetings of the primary organizations, expenditure, program, and personnel decisions were made and wages were determined. They used the profits generated by the respective company as an essential criterion (Jakovljevic, 2016). Because of the regionalization of national decision-making structures and the increasing linkage of self-government with market-economy objectives, there was also more and more uncontrollable competition between companies and the emergence of a new privileged social class, managers and technocrats at the upper level of the corporate bureaucracy. This also led to increased income differences within farms and resulted in increasing dissatisfaction among the workers, which manifested itself more frequently in strikes from the 1970s onwards (Benson, 2004a; Estrin, 1983).

The Constitution of 1974 and its fundamental understanding of Federation was based on an ideological premise: the state–both at the republic and at the federal level - should and must die and transform itself into so-called socio-political communities (drustveno-politicke zajednice), in which the interests of the population and the working people are realized (Benson, 2004a). The thesis, popular in Western European research that Yugoslavia's federalization is a concession to the demands of the „Croatian Spring," is not entirely true. With the amendment of the Constitution adopted in June 1971, it redefined the Federation as a voluntary state community of all peoples and their republics. The trend was already evident in the second half of the 1960s. Thus, federalization was the consequence of liberalization, understood as a recognition of the divergence of interests, which became more and more visible with the gradual introduction of the market economy system.

To sum up, the constitutional reforms of 1971-74 gave interests and power groups, such as municipalities, industries and associations, large companies, and banks, the opportunity to achieve their goals at the expense of the needs of society as a whole. The immediate dispute between these economic subjects, which was only superficial and expressed itself as an ideological conflict of direction, came to the fore. The 1974 Constitution confirmed Tito as president for life, and excluded from the legal provisions of „rotation," i.e., the inadmissibility of holding office for several periods (Lampe, 2000). Some Yugoslav development analysts were aware of the importance of his charismatic role and authority for the cohesion of Yugoslavia. The Constitution of 1974 foresaw the disintegration of Yugoslavia, although it only became apparent at the end of the 1980s. The almost twenty years that passed between the failure of the reforms and the state's decline can be described as a kind of „historical incubation period."

I limited the previous analysis to the endogenous factors of development characteristic of the Yugoslav model, such as party rule, „socialist market economy," and workers' self-management. However, in all its phases, this development was dependent on the long-term trends of world market development and reflected them in their own way. The Yugoslav crisis was the crisis of catch-up modernization under the global conditions prevailing at the end of the Fordist era. Already the process of basic industrialization, with which Yugoslavia built a modern commodity society, with its enormous growth rates in the industrial sector and the absorption of the labour released on the land, corresponded to the same pattern, according to which in other countries the establishment of Fordist industries took place (Kirn, 2010). The economic and political developments of the 1960s and 1970s were also in a context over which the Yugoslav leadership could exert little influence. The country opened up to the world market, where it found conditions not as favourable as at the time of the global economic miracle after the Second World War. In the 1960s and 1970s, the aim was to introduce labor-saving manufacturing technologies in the West. The Yugoslav economy was in transition from extensive growth based on a very high overall investment rate and a notable increase in employment to more capital-intensive forms of production based on the productivity indicator. The „integration into the system of international division of labour" should stimulate this transition by exposing Yugoslav enterprises to the competitive pressure of capitalist industry through foreign economic liberalization. According to Rastko Močnik the „socialist states were social states on the periphery in conditions of relative poverty and performed the same function as a social-democratic state with more prosperity, which were located in the centre of capitalist system" (Kirn, 2010).

The companies that became independent in their economic decisions in the wake of the economic reforms extensively used external economic liberalisation to import production licenses, equipment, and machinery. However, the products produced were sold much more on the domestic market than on the highly competitive world market. Also, with these imports, there was a further dependence on imports in terms of spare parts, intermediate products, and partly raw materials. For the companies, rationalization pressure increased without the markets or companies having to adjust accordingly. Sales opportunities had expanded. With the gradual opening of the border, more and more foreign goods, especially capital goods, were imported, but without increasing exports to the same extent. The Yugoslav products were inferior to Western countries' products because of the productivity differences and could therefore not be competitive on the world market.

As already mentioned, Yugoslavia's dependence on the world market increased after the exclusion from the Cominform and Western capital–initially primarily American-entered the Balkans at an early stage of Yugoslav industrial development. This policy of influence continued through admission to the IMF and accession to GATT (Woodward, 2003). In addition, there was the increased import credit of the catching-up Yugoslav development, the development of Western European technology and capital, respectively, interest dependence, the special EC trade agreements, the establishment of joint ventures (already 1967), and economic cooperations and license productions (Uvalić, 2018). As a member of the IMF and other financial institutions and a stable country, the Federation had no problems getting the loans. At the same time, Yugoslavia was being pressured by its creditors to go into debt because they wanted to make the state politically dependent as soon as possible. Since the mid-1960s, this led to a strong dependence on imports and growing trade and balance of payments deficit. Although the trade deficit had been negative since 1947, the negative balance of payments deteriorated sustainably from 348 million dollars in 1970 to about 2.3 billion dollars in 1980 (Table 1)

Table 1: Yugoslavia's balance
of trade and payments 1964-1980 (in million dollars)

Year	**Export**	**Import**	**Trade balance**	**Balance of payments**
1965	1091	1288	-197	-148
1970	1679	2374	-1195	-348
1974	3805	7520	-3715	-1183
1977	5256	9633	-4377	-1582
1980	8978	15064	-6086	-2291

Source: OECD Economic Surveys 1981 (*OECD Economic Surveys: Yugoslavia 1981 | READ online*, n.d.)

Until the mid-1970s, most of the trade deficit could still be covered by income from non-commodity trade, with remittances from guest workers and income from tourism playing an important role. Since 1975, because of the recession in Western countries, there has been a stagnation both in guest workers' remittances and in tourism revenues. The trade deficit could be less rehabilitated from these sources and exploded since then. Since the resumption of economic relations with the Soviet Union (1954) and the Eastern Europe trade (partial membership in COMECON) in 1965, the Yugoslav economy took on a role as brokering and transit Agency for technology and investment, exports to Eastern Europe, especially in the Soviet Union. To put it bluntly, Yugoslavia became a transit zone in which it produced Western capital and

Western technology for the Eastern European and Soviet markets. Exports to Eastern Europe increased, especially in the 1970s. While the share of Yugoslav exports to COMECON countries was still 32.5% in 1970, it rose to 46.1% in 1980. At the same time, the share of imports into OECD countries fell by over 20% 25 over the same period according to OECD Economic Surveys 1981.

Yugoslavia opened up to the modern world-system described by Wallerstein, in which it gave export enterprises and banks greater freedoms, and it adjusted wages to market conditions. Lending was simplified, it focused production on the world economy; on the other hand, it liberalized the import of goods. Thus, the Yugoslav economy fell into a twofold dependence: for the necessary import of reproductive goods, such as energy, raw materials, semi-finished goods, it had to export industrial finished goods to Eastern Europe on a bilateral clearing basis. The production of finished goods again depended on capital goods imports– machinery, technology – on a credit-financed basis from the West. In order to maintain the stability of this economic area, which could not be included in either of the two spheres of influence, it adequately supplied Yugoslavia with Western loans as well as with Soviet oil and natural gas.

Until 1960, however, the import surplus resulting from the process of the forced industrialization of Yugoslavia did not lead to external severe debt, mainly because of aid from the UNRRA (United Nations Relief and Reconstruction Administration), reparations from the enemy powers of the Second World War and Western economic aid, especially from the USA, whose motive was the support of the Yugoslav secession from the COMINFORM (Benson, 2004a). During the transition from the 1950s to the 1960s, these aid deliveries and payments were discontinued mainly because of the reduction in Yugoslavia's importance in the coexistence's course policy of the great powers and the normalization of relations between Yugoslavia and the COMECON states. From that point on, Yugoslavia had to cover the continuing growing foreign trade deficit with loans, which rapidly increased its foreign debt. However, international organizations do not make a profit. For this very reason, it often criticized the IMF and the World Bank for being instruments of the capitalist centers that maintain the center-periphery hierarchy by depriving the developing and emerging countries of their sovereignty through pressure, cunning, and hopelessness. From an economic policy perspective, they infiltrate the state and force it to capitalist structural transformation and liberalization of its markets. Since then, the Yugoslav economy has been in a vicious circle: the foreign trade deficit was to be overcome by „integration into the system of international division of labour." In addition, they took additional measures that increased foreign debt without eliminating the structural causes – from an economic point of view – of Yugoslav export weakness vis-à-vis the Western industrialized countries.

The economic reform of 1965, which was based on the motto of "de-nationalization," meant that the state should no longer take out foreign loans for the economy but that the individual companies themselves may do so and handle it. This accelerated the increase in foreign debt, changing the structure: while government loans accounted for 49% of Yugoslav debt in 1963 and loans from foreign banks and suppliers for 32%, by 1971, this ratio had changed to 27% compared to 62% (ibid.) 27. Table 2 shows the development of the Yugoslav debt between 1966 and 1980:

Table 2 Development of the Yugoslav foreign debt 1966-1980 (in millions of US dollars):

Year	**Total debt**
1966	1418
1970	2350
1975	6584
1978	11832
1979	14900
1980	19100

Source: OECD Economics survey 1990 (*OECD Economic Surveys: Yugoslavia 1990 | READ online*, n.d.)

In the 1970s, Yugoslavia had followed the same path that other emerging economies of the third world had taken at the same time. The capital expansion of the developed industrialized countries was more intense than ever, giving developing countries "the opportunity" to advance their long-standing industrialization and modernization by borrowing from the international financial markets. The international money and credit markets were virtually flooded with cash and cash equivalents. The banks of the developed industrial countries also organized themselves transnationally in this phase and since the end of the 1960s have developed into important financiers of the third world countries. When investment in the developed world declined because of the global economic crisis and profits were "stored" in the international money and credit markets, the conditions were set for a new dynamic debt boost. Domestic demand, which increased at a high pace of investment, caused a sharp increase in energy and raw material prices, worsening the Yugoslav terms of trade. This trend coincided with the economic recession in the Western European countries so that the growth of Yugoslav exports remained significantly below the planned target. This circumstance had dampened the previous euphoria for a Western orientation and opening of the world market.

The industry's growth rates averaged 7.8% annually from 1971 to 75 and 6.7% from 1976 to 80 (Kukić, 2020). The standard of living rose so that there was no significant difference compared to the neighboring countries Austria and Italy. However, real income growth rates steadily declined until the end of the decade, and the internal growth process came under increasing pressure. Yet, the high economic growth rates of the 1970s have had less impact on the country's development.

The total value of all annual investments exceeded 35% of the gross national product. The government allocated most of the funds to many smaller projects. Political and less economic criteria dominated the decisions on using funds; it often involved political voluntarism, thus neglecting objective evaluation mechanisms in using available resources. Therefore, it created an economic structure in Yugoslavia with little to do with an orientation towards a general state market. The republics and autonomous provinces had their own development strategies that did not coincide. This led to the division of the unified Yugoslav market, the break-up of the normal cycle of reproduction, of money, funds, goods, capital, and foreign exchange between the Republics and Autonomous provinces and even between smaller socio-political units. Under these circumstances, there was a shortage of funds everywhere, so that more and more foreign capital was used.

Despite the growth rates, unemployment rose steadily and in 1980 reached a national average of 11.9%. This was essentially a particular regional problem for the southern republics: while the rate remained low in Croatia and unemployment was an unknown problem in Slovenia, the unemployment rate in Macedonia and Kosovo reached a threatening 21% and 27%, respectively (Benson, 2004a). Because of the constant influx of foreign capital, there were no distributional conflicts of greater political importance. The governments of the less developed republics could continue the process of industrialization by continuing to build "political factories" without regard for profitability criteria. But the condition was also beneficial for Slovenian and Croatian farms. Although their goods were not competitive globally, they still had secure markets open to them in Yugoslavia. Their often-monopolistic position enabled them to earn satisfactory earnings.

Another economic problem became visible in the 1970s, namely inflation. With the increasing domestic demand, the demand for money grew at the same time. The money supply multiplied, and its growth was in no proportion to the increase of real production. This development fuelled inflation: in 1970, it was 11%, and in 1971 it was 18%. In 1975 the inflation rate exceeded the 25% mark with an increasing tendency (Uvalić, 2018). Together with the even more significant problem of accumulated foreign debt, this represented a heavy mortgage for the future. In the second half of the 1970s, Yugoslav modernization's contradictions did not come to a head because it covered them up with borrowed money. At the beginning of the 1980s, Yugoslavia found itself in the infamous debt trap together with many other third-world countries.

3. ECONOMY OF YUGOSLAVIA IN THE WORLD DEBT CRISIS

3.1 Economic crisis of the 1980s

Josip Broz Tito died on May 4, 1980. With him, Yugoslavia lost its powerful political founder and guarantor of its unity. Tito was replaced by an eight-member state presidium, consisting of one representative, each of the six republics, and the two autonomous provinces.

The economic situation of Yugoslavia was already complicated. But the government did not want to spread panic and signaled normality to the outside world. However, foreign debt continued to rise and almost reached the limit of 22 billion US dollars, and inflation already exceeded 45% in 1980. The trade deficit increased in the same year to 24.5 billion US dollars, and the coverage ratio for its compensation fell again to the level of the 1950s (Lampe, 2000). The circumstances on the global market and the policies of the Western industrialized countries contributed to the intensification of the crisis in the countries considered underdeveloped. These were reflected, among other things, in substantial increases in oil prices (1979/80), the collapse of the prices of many commodities, the inflationary rise in the prices of industrial goods from the capitalist countries, massive interest rate increases on the international credit markets, a far-reaching reduction in lending to non-OECD countries, and growing protectionism of Western industrialized countries (Calic, 2019).

According to Wallserstein „the debt crisis is step two. Step one is when we have a very serious rise in the price of oil, which is a way of restructuring the flow of surplus value to oil-producing states. Those states that weren't oil-producing,.. found that their national income had gone down significantly because they had to pay a lot more and the items that they sold, given the decline in world production, brought in less income. So, the money that was accumulated in the oil-producing states couldn't be spent and put in banks.... the banks sent out representatives to meet the finance ministers across the world. They were saying; you are having balance of payments difficulties, we'll lend you money, ok? We'll lend you money. Now, they lend them piles of money. Obviously, the finance ministers were going to accept this money because they otherwise would have had political difficulties in their countries. So that was very simple, except that debts have the nasty habit of wanting to be paid back, especially since they build on themselves. The depth crisis comes when countries have to begin to pay back the debts." (*Debt Crisis and Financial Bubbles | kontext-tv.de*,) In 1982, the debt's maturity structure deteriorated because Yugoslavia financed long-term debt repayment for years by taking short-term loans. Since the beginning of the debt crisis in 1980, the Yugoslav government has annually negotiated new loans and debt rescheduling with the IMF (Lampe, 2000). However, the IMF made the" restructuring of the market economy" and, in particular, balancing the high deficit trade balance a condition of financial help. Since a significant increase in exports under global market conditions could not succeed, massive import restrictions were the only solution (Lampe, 2000). This had fatal consequences for the Yugoslav economy, which depended on imported goods: on the one hand, there were disturbances in the reproductive cycles on the other hand, Yugoslavia was completely cut off from technological development.

At the beginning of 1982, the Yugoslav government started crisis management to overcome the crisis. They set a permanent commission of the Federal Assembly of the Federation to analyse the economic crisis and develop a programme to overcome it. They attempted to overcome the crisis of self-governing socialism by introducing even more market-economic elements. A package of measures in 1983 included the following important points: regaining the federal decree on foreign exchange revenues, devaluing the dinar for export promotion, restrictive monetary policy to reduce demand, reducing public expenditure to increase investment power, limiting mass income to reduce excess demand and to curb inflation, reducing taxes and the tax rate for the industry to increase accumulation, and improving the investment conditions for foreign capital (Benson, 2004a).

Table 3 shows the significant indicators of Yugoslav economic development from 1980 to 1985:

Table 3 Indicators of Yugoslav economic development 1980-1985

Indicator	1980	1981	1982	1983	1984	1985
Growth rate of the real social product	2.3	1.4	0.5	1.2	2.3	0.2
Growth rate of real wages (net)	-7.6	-5.2	-3.1	-10.5	-6.2	0.9
Unemployment rate	13.5	13.6	14.1	14.6	15.3	16
Growth rate of merchandise exports in US$	32.1	13.7	0.4	-3.2	3.4	3.8
Growth rate of merchandise imports in US$	7.4	-3.6	-8.2	-8.8	-1.3	1.4
Growth rate of imports of goods in US$	59.6	70.2	76.8	81.6	85.4	87.5
Growth rate of foreign debt in US	23.9	11.8	-3.6	0.8	-1.5	-1.5

Source: (A. K. Lahiri & Houten, 1991)

Despite the efforts of the Yugoslav stabilization policy, they could not reduce the inflation rate. Since the beginning of the 1980s, it has always aspired to new heights: in 1986, it exceeded the 90% and officially amounted to 168% in 1987 (A. Lahiri, 1991). The rapidly falling standard of living of the population and hyperinflation transition was the market economy's consequences. Despite the „mild" treatment of Yugoslavia compared with the large debtors from Latin America, the debt rate grew from 20% in 1980 to 46.5% in 1987. Although the SFRY transferred 30 billion dollars to the creditors in 1981-1987, the total debt remained at about 20 billion dollars (Lampe, 2000). The crisis intensified competition between the republics and autonomous provinces and between the individual economic entities. Instead of working together for an overall Yugoslav upswing, the separate republics fought over scarce foreign exchange and federal funds. The departure from republic egoism, which had been repeatedly called for by the LCY leadership, remained a word on paper. In time, the state presidency also increasingly showed its inability to act. Since the representatives of the republics sat in this body, any measure affecting any republic's interests immediately entailed the veto of its representatives.

The consequences of such aberrations were severe in structurally weak areas. The relatively more developed republics of Slovenia and Croatia increasingly refused to contribute funds to the development funds. In 1987, Kosovo, Macedonia, and Montenegro faced bankruptcy. While in 1947, the gross national product per capita in the most developed Republic of Slovenia was three times higher than in Kosovo, in 1980, it was already seven times higher. In 1988, Kosovo's per capita income was little more than a ninth of that in Slovenia. The dividing line between developed and underdeveloped regions corresponded precisely to the borders between the former Austria-Hungary and the Ottoman Empire.

3.2. Decentralization of the economic and financial system

In the mid-1980s, the Yugoslav economy began to weaken. Since the end of the 1980s, it has not made new investments because of a lack of capital. Structural measures by the World Bank and the IMF, such as wage cuts and the devaluation of the dinar, significantly weakened the Yugoslav economy. With this deep cut, Yugoslavia lost its sovereignty. Instead, the competencies were transferred to the private sphere, which led to the final incorporation of Yugoslavia into the world economic system. In the negotiations, the creditors demanded the continuation of Yugoslavia's cooperation with the IMF „based on tighter control of its economic performance" (Lampe, 2000). The Yugoslav observer describes the increased surveillance as a „procedure designed to secure the IMF's examination of the long-term efforts of member states to reduce their external debt" (Lampe, 2000). Yugoslavia had to report to the IMF quarterly, and the IMF held „consultations" twice a year.

In November 1987, the Yugoslav government adopted another program to normalize external liquidity and stabilize the economic situation, coordinated with the one-year stand-by arrangement negotiated with the IMF. The central aim of the Federal economic and financial policy was to achieve economic equilibrium at the expense of the population's consumption. The program included the following specific points: fight against inflation, introducing real interest rates, the establishment of the limit of budget consumption and other public consumption in Yugoslavia, introducing nominal limits for the growth of wages and salaries in all economic and all other institutions, price liberalization, liberalization of imports, introducing free access to the foreign exchange market and the liberal mechanism of formation of the foreign exchange rate (practically further dinar depreciation), financial assistance from the IMF and the World Bank for structural change and the promotion of joint ventures (Benson, 2004b).

In Yugoslavia, the IMF conditions were not published in the text but were named and discussed in the daily and specialist press. There was a broad agreement between the IMF's economic philosophy and the Yugoslav policy of austerity and stabilization. Since the beginning of the 1980s, the reforms demanded by the creditors of Yugoslavia had triggered economic and social chaos, resulting from the dissolution of the industrial sector and the gradual dismantling of the Yugoslav social system. During this period, the brutal impoverishment of the population got underway. Wallerstein reffers to this situation: "state that was trying to squeeze the workers in order to pay back the debts". The economic crisis threatened political stability and later led to a revival of nationalism. For the first time after the liberation of the country, Yugoslavia's ruling class went through a deep and dramatic crisis of legitimacy. The „spirit of optimism" (Calic, 2019), based on a steady thirty years of development, was suddenly interrupted by the economic crisis. In 1982, they introduced the rationing of electricity and gasoline, which led to a lack of supply to the population. For the first time, the snakes in front of the grocery stores, typical of states of so-called „real Socialism," were formed, and the public kitchens resumed their operation, which had ceased at the end of the 1950s. The social trauma, together with the loss of trust in the political system, is reflected in the „apocalyptic mood" (Calic, 2019), which was characteristic of the country's literary, film, and musical culture. It questioned the leading class and the entire history of the post-war period. The „black wave" of the publications of novels and reports of political prisoners and persecuted of the year in 1948 led to a demystification of Tito's role.

The crisis was at the same time a crisis of self-management and federalism when the scarcity of resources and the repayment of debt became the major concerns of the federal government. Overthrowing the regime's pillars, a crisis of „Yugoslav socialism" inevitably ensued, a political and moral turmoil aggravated by manifestations such as corruption and careerism in the state's apparatus. The crisis of socialist values culminated in realizing that the other so-called socialist countries also faced the same problems.

The most important political event of the 1980s takes place in the social field. The social confrontation in Yugoslavia is intensifying. In fact, the social issue was in the foreground, not the national one. This is followed by the central question for all Yugoslavia events: how did it happen that it transformed the social unrest of the years 1982 to 1987 into a national one from 1988 on? How could the solidarity struggle of the Yugoslav workers turn into a national and religious struggle?

The workers' relations with the land or agriculture played a particular role. Most times, secondary farming, or at least kinship with the village, was the only way to stay afloat. Among 270,000 officially registered unemployed people in Serbia, 60% lived in the countryside, and the majority had a certain extra-occupational – mostly agricultural-support (Benson, 2004a). Despite the rapid urbanization after World War II, most people who migrated to the cities kept their land. In the 1980s, 50% of the population owned land, although only 20% lived there. From this point of view, some trade union leaders in Serbia discussed the possibility of integrating this informal sector into the social network in order to stabilize a kind of „mixed agriculture." It should do through the massive promotion of part-time work. These proposals did not prevail because they believed that Yugoslav society could solve the problems only in gainful employment and commodity production. The firm belief in the process of catch-up development had prevented any search for other ways out. This situation reinforced this convictioned because all countries were stuck in a dead-end of catching-up socialist modernization. This was automatically interpreted as a" crisis of socialism" and it directed all approaches to solutions towards the adoption of" more efficient" elements of the market economy. Because of the crisis's consequences, it forced large sections of the population to deny their own reproduction beyond classical labour and commodity-money relations. But this development was not a conscious social act. It found no support from the decision-makers, and therefore it remained in an unofficial framework.

In 1987, the strikes reached a peak with 365,000 participants in 1,570 strikes (Jakovljevic, 2016). The workers carried out strikes in mines, hospitals, and theatres and throughout the country. 91% of the cases involved financial claims. But despite the massive nature of the protests, the strikes did not become political. Despite falling labour productivity, nominal wages grew. Rising prices for gasoline, electricity, and food mainly forced the massive reduction in wages and living standards. Because of the political system, there could not be mass dismissals. For the economists who started from the neoclassical school, "overemployment" was the primary cause of the problem (Bartlett, 1991). According to them, there were too many people employed and caused too high costs.

In Yugoslavia, however, there was an economic mechanism that, despite the IMF and Western capital intervention, led to a decline in productivity, which worked in the following way: a company makes long-term losses (for various reasons) and attempts to modernize it through borrowing. In most cases, it is not possible to reduce costs or increase sales. According to capitalist laws, the company would have to go bankrupt. Instead, it can continue to get into debt thanks to his connections with banks and political administration. Since the banks of the republics were politically independent of Belgrade, they were able, through semi-legal and illegal forms, to continue to get „fresh" money, which drove inflation even higher. The stabilization program envisaged that it would absorb the surplus labor force in the rapidly developed private sector. In reality, the municipalities decided on the development of the private sector. The local officials mostly stood in the way of its expansion. But the IMF adjustment programs aimed precisely in this direction:

the public proclamation of abolishing the supremacy of social property and the achievement of a social consensus on it. The bureaucracy was sitting between two stools. Most of the management, consciously or not consciously, represented neoclassical economic theory and wanted an externally controlled transition to a "real" market economy system (Uvalić, 2018). The question was how this should be done.

Until 1987, banks were able to shape their balance sheets so that the loss did not lead to the collapse of the entire state banking system. Over time, the crisis capital accumulated, and the loans issued were not matched by any real equivalent. This development's external feature was a negative real interest rate, i.e., inflation rose faster than interest rates. The IMF insisted on introducing a positive real interest rate, which would have meant raising the discount rate to 130% in autumn 1987. Instead of the banks and thus the political regime, the companies should go bankrupt by not paying the interest.

And in fact, a corporate crash occurred in Bosnia-Herzegovina and, at the same time, the most significant financial scandal in the history of Yugoslavia. The company „Agrokomerc" from the small West Bosnian town of Velika Kladusa had 13,500 employees, a nationally renowned agro concern, and a development project in Bosnia-Herzegovina. The collapse of the bank, the regional party leadership, and the company became a good manifesto. Outwardly, the scandal consisted because the company had accumulated a huge amount of capital by issuing promissory notes without coverage, which also put the existence of the 63 banks involved in the affair nationwide at risk (Calic, 2019). Bosnia-Herzegovina could not comply with the company's demand to convert short-term loans into long-term ones so that the Belgrade and Zagreb banks and the federal government would have had to step in. But they were not willing to reschedule. As a result, the Bosnian-Herzegovinian representative in the Yugoslav Presidency, Hamdija Pozderac, who would have become the president next year, had to resign (Benson, 2004). In addition, the authorities arrested Director General Fikret Abdic and another 100 people and dismissed the president of the National Bank of the Republic. The entire group was supposed to go bankrupt, and it threatened the entire region with a relapse into social misery. Their politicians informed the Serbian banks that they should no longer accept the Bosnian bills of exchange. The government in Sarajevo resisted equating „Agrokomerc" with the republic.

Hundreds of legitimate social protests continued across the country. It directed them against impoverishment and threats to existence. But also, against those who in the 70s and 80s enriched themselves materially at the expense of the great majority of the population and secured many other privileges. After the protests in 1987 and 1988 threatened to spiral out of control, in 1988, the local elites saw the last chance of their salvation to turn the social protests into nationalist ones (Estrin & Uvalic, 2008).

In 1988, Slovenia and Croatia deposited their contributions into the Federal Development Fund and argued for a Yugoslav Federation of States and far-reaching global market integration and connection to the EC (Calic, 2019). The politicians of the northern republics „declared „in their nation's populism that they no longer wanted to finance social policy (therefore, the crash had to be staged by Agrokomerc). In front of the masses of dissatisfied workers, they repeatedly made the other republics-i.e. the other nations-responsible for the misery in Slovenia and Croatia. They promised their people rehabilitation with Europe's help, while the rest will be handed over to their fate of „under-productivity" and can be left to the further crisis. The strategy of the Serbian side was aimed at preserving the state as a whole against away rationalization and shrinking. Serbs essentially controlled the central state apparatus in Belgrade, and the Serbian elite wanted to maintain their material privileges. In the republics, nationalism remained the only remaining social link between below and above.

The year 1987 ended with the mediating wing's disempowerment within the Serbian Communist Party and with the assumption of power of Milosevic, who from 1988 uses nationalism to carry out his goals.

3.3. The end of self-governing socialism

In December 1988, a Yugoslav government resigned for the first time, after only two years. Thus, the model of the „agreed economy" (dogovorna ekonomija) developed by Prime Minister Branko Mikulic, according to which economic subjects should seek ways out of the crisis through cooperation, also failed (Benson, 2004a). Foreign debt rose to $21 billion, and after Yugoslavia failed to comply with many economic policy requirements, the IMF threatened to break off relations. The real reason for the government's failure was the interest rate policy for heavily indebted enterprises and thus the rising inflation. In order to pay the wages of the striking workers, it printed new banknotes again. This policy was not compatible with the market economy program, implementing which guaranteed access to international aid.

The Croatian Ante Markovic became the new Prime Minister in the spring of 1989. As the preferred candidate of Slovenia and Croatia, the IMF and the USA-he also prevailed against the Serbian and Montenegrin candidate Borisav Jovic (Calic, 2019). Markovic's government adopted an alternative course and promoted under the name „Socialism of a new type." This program meant nothing more than a strict market-based shock program and the departure from self-governing socialism. However, Markovic was not one opponent of the unitary state but argued for a coherent Yugoslav market so that „goods, capital, and labour can move freely."

Among the key immediate measures taken by the new government were the liberalization of prices and the adjustment of interest rates to the EC level. These two measures had disastrous economic consequences. The introduction of positive interest as a kind of economic reality principle led to the complete dismantling of the Yugoslav economy. Since not only underproductive but entire sectors were mutually indebted according to the economic criteria and therefore insolvent, a restrictive monetary policy could in no case distinguish between viable and, from the business point of view, long „overdue" companies. This measure affected Serbia and the southern republics' factories because the mutual arrears had reached unmistakable proportions.

The second measure – the liberalization of prices – also failed. The government and the IMF wanted to normalize economic relations by lifting the price control. However, since monopoly providers dominated the Yugoslav market in almost all major sectors, domestic prices could go up arbitrarily after this step. This development further accelerated inflation. At the beginning of the reforms, the inflation rate was 467%; in May 1989, it already exceeded the 600% mark, in September the 1000% mark, and thus got entirely out of control (Liotta, 2001). The consequence of hyperinflation was the devaluation of the Yugoslav population's dinar savings, which had been saved for years (Uvalić, 2018). It is symptomatic that we could observe the same thing in all „reform states" after 1989.

In the same year, the Markovic government, on the advice of Western European and American advisors, introduced the Financial Trade Act to accelerate corporate bankruptcy (Brekalo & Penava, 2018). The law required insolvent companies for over 30 days within 45 days to consult with funders within the next 15 days. This mechanism enabled lenders (including domestic and foreign banks) to convert their loans into controlling stakes in the insolvent companies. After the law was implemented, the government lost all opportunity to intervene. If an agreement could not be reached, bankruptcy was initiated, with employees left without severance payments. According to the Yugoslav Federal Ministry for Industry and Energy, 222 companies went bankrupt, and it liquidated 26 companies because of this law. The measures affected 89,400 employees. Simultaneously, the „basic organizations of associated work" (OOUR) were dissolved by company law. The new law should convert state companies into private capitalist companies, with the workers' council being replaced by a „social council" under the control of the company owners and their financiers. As a result of the banking law, the company's own „cooperative banks" were liquidated. More than half of all banks in the country were closed. The entire banking system, consisting of the Yugoslav National Bank, the national banks of the eight constituent republics and autonomous provinces, and the commercial banks, had been smashed under the World Bank leadership.

In December 1989, the Yugoslav government issued a new "anti-inflation program," coordinated with the IMF in every detail. The government pegged the dinar to the D-Mark at a ratio of 1: 7 and froze all wages and many prices until mid-1990. The IMF guaranteed a repeated stand-by loan of 600 million dollars and enabled the just overdue rescheduling of foreign debts. This convertibility package became known as the "Sachs Program," named after the US economist Jeffrey Sachs, who had been hired by the Markovic government as an advisor and who had already designed programs for the governments in Bolivia and Poland to implement the IMF requirements.(Uvalić, 2018)

The economic program initially reduced hyperinflation. Inflation fell sharply and reached an absolute low of minus 0.3 percent in June 1990 (Brekalo & Penava, 2018). However, the „side effects" were as devastating for the Yugoslav economy as inflation was before. The program disadvantaged all parts of the country. The northern republics suffered heavy losses in exports (74%) because their goods became more expensive on the global market because of the unrealistic exchange rate. It forced them to sell below their production cost. For the same reason, the number of overnight stays in Croatia decreased by a third. The program's price policy disadvantaged Serbia even more than the largest supplier of raw materials and food in the country.

Many companies tried to avoid bankruptcy by suspending wage payments. One million workers, representing about 20% of the industrial workforce, did not receive wages in the early months of 1990 (Uvalić, 2018). Real wages were in free fall, social programs had collapsed, and unemployment grew because of industrial enterprises' bankruptcies. Considering that 600,000 workers had already been laid off before September 1990, it follows from these figures that the IMF and the World Bank classified approximately 1.9 million out of 2.7 million Yugoslav industrial workers as "superfluous" (Milanovic, 1996).

These factors created an atmosphere of social despair and hopelessness in the population. In November 1991, Markovic had to admit that it had issued 18 billion marks of foreign currency accounts for debt repayment, budget deficit coverage, etc., and that repayment „until further notice" is not possible. Despite the federal government's activities, it was less and less able to control the situation because the republics consistently ignored it. They neither carried out the central government's stipulations nor fulfilled their financial obligations to the state. There was already a real economic war between the republics themselves. Slovenia and Serbia boycotted each other since 1989/90; the republics' economic policies determined mutual import bans. Serbia's leadership no longer wanted to pursue the federal government's policy because their republic was in danger of bankruptcy to a much greater extent than the Northern republics. In the autumn of 1990, Serbia completely stopped its transfers to the Federal Treasury. In January 1991, Milosevic seized the central Bank without consultation with the federal government and had dinars printed for the equivalent of 1.8 billion dollars. With this, they paid outstanding wages of state and municipal employees out in the following days (*Yugoslavia Destroyed Its Own Economy - WSJ*, 1999). This was the death knell for the IMF recovery plan, based on a policy of money shortages and wage cuts. This step made Milosevic the enemy of the free market economy. At that time, the change of opinion in the West may have been prepared, which ultimately led to Serbia's isolation. Jeffrey Sachs moved from Belgrade to Ljubljana, apparently because there was an opinion in IMF circles that the restructuring project was no longer feasible in the whole of Yugoslavia. In addition, the IMF withdrew payments of $4 billion that it had already promised, while the OECD, World Bank, and EC refused to pay out a stand-by loan of $2.5 billion.

3.4. The way of the republics to independence

The open economic war, against which the federal government was powerless, found its expression in political institutions. Before the state collapsed, the League of Communists of Yugoslavia dissolved. The 14th Extraordinary Congress of the LCY brought the end of the party. After intense discussions, mainly about the lifting of the economic blockade imposed by Serbia against Slovenia and the future establishment of the federation, the Slovenian representatives left the Congress. Previously, all Slovenian motions had been voted down by a Serb-dominated majority (Uvalić, 2018). Initially, Congress had abolished the party's monopoly of power and introduced the multi-party system. The Congress was suspended indefinitely. It no longer met and went down in history as the last Congress of the LCY.

In the spring of 1990, the first multi-party elections took place in Slovenia and Croatia. In both republics, the nationalist-oriented parties, which clearly distinguished themselves from Yugoslav socialism, won. In Slovenia, the anti-communist alliance „Democratic Opposition of Slovenia" (DEMOS) achieved an absolute majority. On 2 July 1990, the Slovenian Parliament adopted a declaration declaring the republic's state sovereignty without formally proclaiming independence. According to this, Slovenia should make its foreign, economic, legal, and information policy in the future (Calic, 2019).

In Croatia, the elections focused on solving "the so-called Croatian question." This meant the alleged resetting of the second-largest Yugoslav republic "for decades." This nationalist ideology carrier was the "Croatian Democratic Union" (HDZ) of the former partisan general Franjo Tudjman. She won the vote in the first ballot. The Communists, as the second-largest group, only achieved a disappointing 10% (Calic, 2019).

They held elections in Macedonia and Bosnia-Herzegovina on 11 and 18 November. In Macedonia, the Macedonian nationalists (VMRO) won over the Communists and the Albanians, who now made up 30% of the entire population in that republic. In Bosnia-Herzegovina, the Communists suffered a far more sensitive situation and gained only 14 seats in the parliament. The national parties received a large majority. This result corresponded approximately to the share of the three ethnic groups in this republic's population so that the elections practically fulfilled the function of a census. The first free elections in Montenegro and Serbia ended completely differently than in the rest of Yugoslavia. Here the previous leaders – the Communists under Momir Bulatovic and the Socialists under Slobodan Milosevic – achieved triumphant results.

Yugoslavia's political disintegration was inevitable after the elections, and the only question was how it would happen. The economic logic of the national elites was to ensure the conditions for the survival of the national centers by accessing as large a piece as possible of the bankruptcy of social property and by renouncing the obligations (Jovic, 2001). The economic situation deteriorated further in 1991. Hundreds of thousands of workers had not been paid their wages for months. The coffers were empty, and the republics no longer paid in. According to the responsible parliamentary committee, the Yugoslav state needed about $4 billion to maintain its external liquidity (Milanovic, 1996). At this point, Slovenia and Croatia were already assigned to the "western camp" by the western media. At the same time, they included Serbia in the "eastern socialist camp," which no longer existed in 1990. All events were simplified and presented with no critical analysis as a "struggle of democracy against Bolshevism."(Calic, 2019)

In Croatia, unlike ethnically homogeneous Slovenia, there was a Serb minority of almost 600,000 inhabitants, representing around 12% of the total population of Croatia. The nationalist wave and the anti-Serb and anti-Yugoslav fanaticism of the supporters of "Croatian Democratic Union" in Croatia and the Serb separatist aspirations had long rocked each other. In the summer of 1989, there were mass protests of the Serbian minority against the Croatian assimilation policy and the "cultural genocide." One year later, the situation in Krajina became acute. It came to the so-called "barricade revolution" when the Serbs built the street barricades.

After the election victory of the HDZ, Croatia held an independence referendum, in which only the Croatian population took part. 96% of the voters spoke out in favor of independence (Benson, 2004a). In July 1991, the Serbian partisans and the federal army that supported them responded to the Croatian declaration of independence by rushing to the aid of the Krajina Serbs, which started the actual Yugoslav civil war. On January 15, 1992, Germany and Austria, and the other EU countries recognized Slovenia and Croatia internationally (Crawford, 1996). The old and new political elites pursued a policy to ensure their political survival in the face of the declining social order. The new social fronts were instrumentalized, and it pitted the impoverished and the discontented Yugoslav population against each other along these fronts. The power-holders could only maintain their positions through the use of force.

For the political elites – regardless of which republic – the social surplus product's decision remained decisive. During the current law of self-management, means of political functions secured this, and therefore the political network of relationships had to be preserved. As the political structures disintegrated into competing blocs, this inevitably led to the struggle for the „own" economic space. The war was a consequence of the fact that the areas in which a new system was to be built overlap territorially and in their ethnic composition (Jovic, 2001).

We should not view the war in Yugoslavia and the emergence of new states on this ground in isolation from the introduction of the new world or European order since the disintegration of socialism at the end of the 1980s. In the media, Western politicians presented themselves as neutral peacemakers who sought to bring the Yugoslav crisis parties "to reason" and move towards "peaceful solutions." In fact, with their interventions at the diplomatic, military, and economic-socio-political level, they have decisively accelerated the escalation of the war in Yugoslavia (Glaurdić, 2011). In cooperation with the international actors and institutions, the respective national power elites have made the connections unclear by ethnicizing what originally social confrontations were.

The result of all Yugoslav wars in the last decade is the break-up and recomposition of Yugoslav society and establishing new, violently enforced, and less resistant social structures. Such a development has been decisively moderated and controlled by the so-called „International Community" through its sometimes-helpless negotiating diplomacy (Glaurdić, 2011). This is indicated by the „domino effect" of the

Yugoslav war events from west to east: the first, so-called „small war" began in Slovenia and lasted for a week (June/July 1991). It followed this by the war in Croatia, which lasted in its first phase from June/July 1991 to January 1992. It ended in May and August 1995, when the Croatian army, strengthened by illegal arms shipments, conquered Eastern Slavonia and Krajina's Serb-occupied territories. The war in Bosnia and Herzegovina began in April 1992 and ended in November 1995 with the Dayton Agreement. The last war in former Yugoslavia began in the summer of 1998 in Kosovo and ended with the NATO intervention against Yugoslavia, which lasted from March to June 1999.

Symptomatic of all conflicts is that there was no simultaneous escalation in the entire former Yugoslavia, but that one war began when the other was over. This fact shows that this war was controlled and continued until a result was fought out and negotiated that promised a stable "reorganization" of Yugoslav society and the Balkan area.

In fact, a division of the zones of influence has crystallized:

1. The German policy on Eastern Europe forced a selective annexation of those Yugoslav regions to the EEC, which presented the best conditions for an accumulation regime to be structured in a capitalist manner. It gave massive and offensive support to the developed Western Catholic republics in their efforts to separate themselves from the „subsidized" southern regions (Crawford, 1996).
2. The US and most EU states were interested in a „low-intensity" level of war and its regional limitation. Their approach to the disintegration and reorganization of Yugoslavia was somewhat cautious. This is noticeable, for example, in the not complete isolation of the Serbian regime. This strategy was directed against the German capital's interest policy, which sought to secure the most likely profitable peripheral regions of Eastern Europe in advance.

4. YUGOSLAVIA'S POSITION WITHIN THE MODERN WORLD SYSTEM

4.1. World system theory

The theoretical foundations of the world-system theory are primarily based on the Annales school of Economic and Social History Research (particularly on the work of Fernand Braudel) and dependence theory (among others on the work of André Gunder Frank). According to Wallerstein, the world system theory assumes that the capitalist world system was constituted in Europe's 16th century with the „crisis of feudalism," the discovery of America, and the beginning of the global division of labour in Europe (Wallerstein, 2004). From there, it spread until, the middle of the 19th century, when the emergence of new economic conditions, international economic integration took place. Wallerstein essentially distinguishes two types of world-systems: „world empires," which have a centralized political system, and „world economies," in which there is no single center of political power. The latter includes the capitalist world system. The hierarchical structure of the capitalist world system manifests itself in an assignment of nation-states to centers, Semi-periphery or periphery. This hierarchization is mainly due to" unequal exchange"; it is consolidated and reinforced by political and cultural-ideological factors (Wallerstein, 2004). Individual countries may change their position in this hierarchy, but it is a global zero-sum game: those who ascend do so at the expense of others who inevitably descend. The development of the capitalist world-system occurs in economic cycles and hegemonic cycles, i.e., phases in which a nation-state is dominant in the capitalist world system.

Global capitalism, or as Wallerstein puts it, the modern world system, penetrates the pores of our societies, even into the everyday life of every individual. Another important world system theorist, Fernand Braudel, dated the modern world system's emergence in the 16th century. In his major work *La Méditerranée* he describes the coexistence of several world economies, which existed side by side and were connected to each other at the same time (Peet & Hartwick, 2009).

To answer the much-disputed question of what period now marks the real beginning of global capitalism, even in the present, is not quite clear. To answer the question of when the modern world system started would be a sensation. Perhaps there is no pure truth. The question of how the world economic system of the present day is constructed and what socio-economic interactions existed with Yugoslavia is of great importance to us. Whenever capitalism has emerged, the world economy is always the world known to us, shaped by a central, dominated system of order. This is an irreversible process:

A global economy is defined as a place where in general, all the relationships and interconnections that arise between markets as a result of international transactions. Actors include states, organisations, multinational companies and non-governmental organisations. These actors are networked with each other in a complex way. The main components of the global economy are the international division of labour and mutual relations of varying intensity. Here the trend towards increased division of labour and professionalisation is irreversible and universal (I. M. Wallerstein & Hopkins, 1982).

However, the power of the global capitalists is not only based on the resilience of a state. The influence is equally influenced by privileged access to national credit and capital markets and capital-intensive means of production. They have investment capital, new technologies, know-how, cost-intensive laboratories, and automated production facilities. The budget for research far exceeds that of developing countries. Furthermore, the global entrepreneurs have sufficient infrastructure, modern communication technologies, and transportation technologies, as well as the ability of cheap and skilled labour to recruit forces (Vandana & Potter, 2014). On the other hand, access to the sources of raw materials and markets of the peripheral states is secured by the cores. Through binding and often unjust contracts (such as forced licensing, contracts that provide for the circumvention of import restrictions or the liberalization of the domestic economic area) or loans, the centers force the peripheries to their knees.

The globally active corporations also have social acceptance in the countries of the South. Goods and commodities are adapted to the respective emerging and developing countries' values and consumption needs, continuously changed and brought to the population by suggestion. Advertising should not create existing consumer needs. Capitalism also causes a cultural and linguistic homogenization, that is, the diminishing loss of cultural diversity (Willis, 2020). The modern world system uniforms the diverse societies by creating consumption needs and consumption habits and imposes capitalist and Western values on them.

For Wallerstein, a global system is not because it embraces the whole world, but because it is more significant than any juridically defined political entity. Moreover, it is a world economy because the connection between the parts of the system is above all an economic one – certainly reinforced to a certain extent by cultural ties, sometimes also by political arrangements and alliances (I. Wallerstein, 2004). In a capitalist world economy, political energy is used to secure monopoly rights. The state becomes less a central business enterprise than a tool in securing certain trading conditions for other economic transactions. Thus, the market activity creates incentives for increased productivity and all the concomitant effects of modern economic development. The world economy is the arena in which these processes take place (I. Wallerstein, 2004).

Wallerstein's theory of the modern world system states that the geopolitical and socio–economic structuring of the world is divided into capitalist centers (core) – key groups with a powerful state apparatus-and weak peripheries (peripheral zones). Therefore, the regions are not in the same position to each other. This means that the world cannot be understood as a whole, homogeneous construct. The regions are not only geopolitically and culturally divided but above all economically separated. The different regions of the world are in strong interaction with each other. This interaction is noticeable through political power, hierarchy, adapted culture, and economic competition, as it will now show.

A center, also known as core, we understand spaces that can enforce unequal exchange relations favourable to themselves, can acquire more resources from the overall system than others (Harrison, 1988). Five major state monopolies characterize the everlasting dominance and strength of a center: - the technological monopoly, the control of global financial markets, the monopolistic access to the Earth's natural resources, the media and communication monopoly, and the monopoly on weapons of mass destruction (Amin, 1994).

A powerful state is by no means an obstacle but is an evolutionary prerequisite for a center. It is the guarantor of a capitalist social order, and it also guarantees „free competition" and thus capital accumulation. The centers' enormous state structures have the task of protecting the bourgeoisie from discontent, and in the most extreme case, from class struggles. Powerful state mechanisms, bureaucratic procedures, and interest groups ensure that the capital interests, monopolies, and property rights of the accumulation regimes are protected (I. Wallerstein, 2004). The principal beneficiary of the modern world system is the capitalist.

Through pressure, bureaucracy, influence, and the distribution of wealth, it keeps the masses of the centers to a certain uncritical level. The „consensual hegemony" in the metropolises acts as a legitimation construct and guarantee of investments, as these prefer a predictable, accessible, and safe economic area. The centers are also in competition with each other and are neither politically nor culturally or socio-economically equal. They do not have the same availability of means of production and resources. Because, if it were so, the metropolises could take over the work steps of the other economic metropolis. This would mean that the outsourced work steps and the worldwide division of labour, and subsequently trade, would become obsolete because every equivalent center would have the same comparative cost advantages. According to Wallerstein's theory, a balanced position of power between the centers would lead to the end of the modern world-system (I. Wallerstein, 2004).

Regarding the core-states relations, it is important to mention the „hegemony/rivalry" notion. A core-state is considered hegemonic in the sense that „it follows the political borders demarcating the sovereign jurisdictions within the core and semi-peripheral areas are relatively permeable." In history, we had three periods of hegemony (Dutch hegemony, British hegemony, and US hegemony). The rivalry between core-states occurs when „the political borders enclosing the rival centers are by comparison much less permeable" (I. M. Wallerstein & Hopkins, 1982). In contrast to the bipolar competition, where a few states embodied the capitalist centers, today's world economic centers dominate, mostly organized in state associations such as the EU, APEC, OPEC, or NAFTA. They usually focus on the removal of trade barriers, and some also cooperate in other fields such as economic and labour market policy, research, environmental protection or crime prevention.

A second sphere of the modern world system, the semi-periphery, fulfills a catalyst and bridge-head function that functions between center and periphery (Harrison, 1988). The semi-periphery often protects the geopolitical and economic interests of the center by offering it geostrategic protection against military dangers emanating from the periphery. On the other hand, it serves as a loyal vassal who does not shy away from a proxy war at the request of the core. Accordingly, the semi-periphery functions as a stabilizer that consolidates the hierarchical structure of the modern world system and the resulting structural dependence (Harrison, 1988). However, the semi-periphery does not only fulfill the task of a geostrategic buffer zone. As we have described, the core needs a semi-periphery that is stable at least as far as possible in order to ensure the transfer of values from the periphery (I. Wallerstein, 2004). The semi-periphery is often characterized by a weak state structure; functions that secure the transfer of value from the peripheries are naturally present. Furthermore, a semi-periphery is often a threshold or transition country with authoritarian or moderately pronounced democratic state structures.

In semi peripheries, the mining of raw materials has been and is being pushed forward in order to achieve foreign exchange revenues to meet consumption needs, which creates a negative trade balance. In contrast to the peripherals, export-oriented semi-peripherals can cover some niche products on the world market. In many cases, emerging markets even have a comparable level of productivity as industrial countries. However, labor-intensive production is achieved rather than by technologised and capital-intensive means of production (Wallerstein, 2004). Another characteristic of the semi-periphery is the migration of well-trained workers, talents, and intelligence. In contrast to peripheries, semi peripheries have a broader mass of well-educated people who emerge from strong educational institutions such as those in Yugoslavia. The centers absorb not only value in the form of money-capital but also in the form of social capital. On the other hand, peripheries and semi peripheries are confronted with reproductive costs, migrant labor power, and brain drain (Vandana & Potter, 2014)

In past times, the semi peripheral regions were either centers or peripheries, positioned by geopolitical dynamics, technological progress, and a global economic structure that had changed over the centuries. This means that de facto, a center can also descend as a semi-periphery or even a periphery. Conversely, semi peripheries can rise to centers (I. Wallerstein, 2004). Nevertheless, looking at the history of capitalism, a significant question emerges in Wallerstein's assertion, which remains unanswered in his theory of the world system. If we characterize the world-system, then the old capitalist centers, with alternating dominance and competition with each other, have remained the centers of the present. There was the hegemony of Spain, Holland, England, France, or China, with their respective time-limited claim to dominance. Furthermore, again, the same countries embody the major capitalist economic metropolises and not Ecuador, Nigeria, or Albania. This would mean that the capitalist economic areas, divided into centers, semi-peripheries, and peripheries, remained unchanged with a few exceptions (such as the Tiger states) (Peet & Hartwick, 2009). As a result, a semi-periphery or periphery could not improve its position at all, even technological and economic progress.

Peripheries, as well as semi-peripheries, are characterized by dependence, inequality, and weakness of the state. In this sense, a country is dependent if its entire socio-economic development is determined by external factors, without the country concerned being able to exert an equal influence on its external economic partners. An asymmetrical interaction structure favours the highly developed industrial country and the domination and disadvantage of the developing country. Both determine each other, but the determination of the weak pole by the strong is far more compelling and crushing than the effect in the opposite direction (Peet & Hartwick, 2009).

In this context, the core of a periphery is a formal world market-dependent center (modern sector) surrounded by informal peripheral zones. The formal core consists of enclaves tailored for the world market, dependent on the capitalist centers. Formal cores often embody free production zones, export-oriented farms, mining, or trade bases. Synergy effects are concentrated there, and added value is added to the centers (I. M. Wallerstein & Hopkins, 1982). On the other hand, the informal periphery is characterized by a wide range of precarious living conditions and underpaid forms of work. By buying cheaper goods and outsourcing production steps to the informal sector, the capitalist saves costs twice over. At the same time, additional profit is generated by selling the goods since the consumer is cheaper and possibly also buys more. People in the informal sector are in trouble.

The value that is thereby created and transferred to the centers is then, strictly speaking, characterized as „structural dependence". Structural dependence manifests itself in the unjust socio-economic connectivity between the center and periphery. More simply, dependence and peripheralization are the causes of underdevelopment (Peet & Hartwick, 2009). The systematization of the world economy in the center and periphery also results in a hierarchization of the economic tasks. The capitalist centers have the higher-valued capital-intensive and profitable tasks; the peripheries have the labor-intensive production of semi-finished products (Harrison, 1988).

If we assumed that (semi-)peripheries would have to live forever as marginal zones, then our research question would already have been answered. However, we do not want to make it that easy for ourselves. We will examine Yugoslavia in its insistence for signs of peripheralization and, if present, map them in interaction with the then prevailing global economic processes. Although there have been repeated attempts to tame capitalism, there is no normative lever to regulate the global economy as a whole. Moreover, as the present situation on the globe looks like, there will not be such a normative lever in the future either (Wallerstein, 2004). The use of different regions of the world as production sites (location and commodity chains) as well as the combination of different employment relationships concerning remuneration and social security forms the basis for the transfer of values from the periphery to the center.

From a Marxist perspective, the economic structure in developing countries is a product of their past and the particular way they have come into contact with capitalism (Wallerstein & Hopkins, 1982).

4.2. Yugoslavia in the modern world system

Wallerstein has attempted to analyze the global economy of the 15th and 16th centuries and has taken certain dates and events from history to substantiate his thesis of existence, a „modern world economy." Wallerstein did not specifically discuss Yugoslavia, but generally referred to Eastern Europe. But what does the projection of the multi-ethnic state look like on the modern world system? By what latent quantities could Yugoslavia's position in the modern world-system be measured?

This section of the chapter will now clarify the consequences of a gradual convergence to the world capitalist economic system on Yugoslavia's socio-economic and political areas. In order to project Yugoslavia onto the modern world system and to determine its socio-economic position in the hierarchy, I have focused on the explained state monopolies (technological monopoly, control of global financial markets, monopolistic access to the Earth's natural resources, media, and communication monopoly, the monopoly on weapons of mass destruction), which enable a hierarchical structure between center and periphery.

In the modern world-system, a weak state structure is a prerequisite for the functioning of a peripheral state. A strong peripheral state in the sense of the failed state theory does not exist. The withdrawal of the state offers international entrepreneurship the best conditions for increasing its financial and investment capital. The capitalist mode of operation creates optimal conditions for accumulation by establishing a single market, securing national resources for the centres, creating conditions for lucrative investments and cheap production, and providing a sufficiently well-educated but cheap labour force.

The weak or failing state is further characterized by structural dependence or has disintegrative marginal structures. In fact, according to the theory, exogenous realities exclusively influence states. The interaction between the peripheral state and capitalist (in)order gives the modern world system its pictorial form. As has been explained, it expresses this pictorial form through function, power relations, hierarchical structures, inequality, and opposites.

The incorporation of Yugoslavia into the modern world-system was easy: in many respects, the existence of the socialist republic was very early, dependent on the international political and economic framework conditions. Even before establishing the Kingdom of Yugoslavia, the individual South-Eastern European regions had to contend with public debt, global financial crisis, the plundering of national resources, creeping dependence on capital, massive migration movements, and social and poverty-related tensions. The positions of the Southeast European regions in the modern world-system were also evident. Slovenia and Croatia were considered peripheries of the Austro-Hungarian crown. In contrast, Serbia, Montenegro, Bosnia, and Macedonia's border zones depended on the Ottoman Empire and simultaneously interdependent with international financial capital.

Yugoslavia as a core

According to the classical and neoclassical theories, free trade and the specialization on comparative cost advantages leads to wealth-enhancing effects of all involved countries. We must clarify whether this view also applies to Yugoslavia and investigate whether export orientation and the removal of trade barriers led to wealth-enhancing effects. Whether the multi-ethnic Yugoslav state was able to fulfil the characteristics of a core is now to be clarified in this chapter.

In Marxist theory, a state goes through several stages until it reaches the ideal form of communism. The utopia of communism „ had not arrived in practice, however, because reality turned out differently than had been expected." Contrary to the expectations of the early Marxist ideologues, socialism and, as a result, communism can only emerge from capitalist states. The socialist revolution remained confined to marginal zones. Thus, the past peripheries also represent the future peripheries, even if they had a socialist superstructure that partially escapes from the capitalist centers for decades.

From the point of view of Marxist state theories, one can speak of a state socialist Yugoslavia, which existed in the reformed form at the latest until its dissolution. According to (Uvalić, 2018), the state and social structures truly fulfilled the central conditions of „utopia communism" for two decades because:

1.) Collective ownership and the means of production from 1954 onwards were exclusively owned by the workers and not by the state, as was the case in the other socialist countries. Yugoslavia reached the zenith of collectivity and personal responsibility with the principle of workers' self-management in 1957. The consequences that ensued, and provided the country with economic prosperity at least until the oil crises, were thus a democratically legitimized production process that was at the same time unmonitored by the control bodies of the workers , communes and the Communist Party, fixed wages that were subsidized by the state in the event of default, permanence, and social security. On the other hand, fixed wages and prices, a lack of competition, and the creativity and productivity associated with it led to the gradual strangling of the Yugoslav economy (ibid.).
2.) Until the country's final incorporation into the modern world system, there were hardly any economic and political connections that Yugoslavia would have connected with other states in a hierarchical relationship. Until the country's economic opening, capital investments by foreigners were unthinkable. As has also been shown, the monopoly of trade, the determination of wages and prices, and the economy's organization were solely in the hands of the workers , councils elected by the workers (Uvalić, 2018).
3.) Although the relations of production in Yugoslavia, as I have shown, were produced by conditions other than those imposed by Marxist theory, a classless society nevertheless existed. The surplus-

value produced by the workers and peasants did not go back to the bourgeoisie, as is customary in a class society, but to the peasantry and workers. In Yugoslavia, therefore, from a real political point of view, one can speak of a „dictatorship of the proletariat." (Liotta, 2001).

4.) Until the first wave of the incorporation of Yugoslavia, which began with the borrowing of international financial organizations and an end to the Fordist economic model, Yugoslavia's economy was based on the principles of socialist economics. In contrast to the capitalist market economy, the Yugoslav economic order was based on the principles of the conception and allocation of means of production. In this way, Yugoslavia could almost double its GDP per capita by 1965 (Uvalić, 2018).

5.) Although Yugoslavia's geo-cultural and ideological prosperity encompassed entire states, such as Albania or Greece, some even speak of the fifties and sixties' Yugoslav cultural imperialism, impossible to talk of cultural hegemony over South-Eastern Europe.

Did the country not also fulfill the characteristics of an economic core according to the modern world system's theory, based on or despite Marxist-socialist criteria? At first glance, you would think yes, but let's look at this view step by step.

Even if the country only attacked the stage of communism, the Yugoslav leadership nevertheless realized at least part of important Marxist ideals. Thus, after World War II, the multi-ethnic state became a kind of „socialist economic center" for the founded real Socialist countries, a model of a modern catching-up industrial state. Economic and agricultural reforms, demographic and social changes, authoritarian rule structures, and a population - oriented towards a better future - should, as I have pointed out, set in motion a catch-up import-substituting development and bring economic growth and prosperity as a result. The strong Yugoslav state was based on a powerful Communist Party, which was well-liked by the population. It based the powerful state apparatus on the deep conviction and post-war euphoria that it had a central role in the development process.

Apart from important state monopolies, which in their entirety constitutes a strong central industrial nation or a weak peripheral state, the capitalist core is also characterized by other characteristics that were also present in Yugoslavia. From 1963, the country transitions from a purely planned economy to a (not yet free) market economy. The SFRY opened up to the modern world system by granting greater freedom to financial and investment capital and adjusting wages to market conditions. Yugoslavia focused production and trade on the global economy.

When the Yugoslav economy joined with the world economy, the country could benefit from this connection. Yugoslavia was recognized as an equal industrial nation by both the capitalist centers and the socialist brother states. Trade relations increased and improved, and many foreign investments resulted in orders. As noted, until the end of Fordism, real gross national product increased on average by 8.6% a year, industrial production by an incredible 12.25%. In the industrial sector, Yugoslavia, was even ahead of the industrial power Japan. By 1965, industrial production had increased more than sixfold (Kirn, 2010).

The savings and wages ratio (40%) were at or above that of the centers. Until the mid-sixties, the country was considered urbanized. The education level, the rate of illiteracy and unemployment, and life expectancy were similar to those of the capitalist centers. There was an excellent economic and social infrastructure. Other criteria for a developed economic centre in Yugoslavia were low foreign debt. In technological sectors such as aircraft construction (Ikarus), weapons, or automobile production (Zastava), Yugoslavia could even hold its own among the market leaders (Calic, 2019). However, importers of Yugoslav products were not so many capitalist centers as peripheral countries, which could purchase raw materials, food, and quality machinery, weapons, and technology at affordable prices.

In order to return to the state monopolies, the monopoly on security was firmly in state hands until the end of Yugoslav real Socialism in 1991. Although there is no separation of powers in the real Socialist ideology of the state, which is only subordinate to the Communist Party, powerful state power structures are precisely a condition for ensuring state security. The monopoly of force, which consisted of the judicial, legislative, executive, police, and army, was subject only to the state; privatized security would violate the Marxist doctrine and was therefore not tolerated.

Likewise, the media and communication monopoly were firmly in the hands of the state, and the competences and functions were in the hands of the governing regional municipalities. Television, mass newspapers, and radio were aligned and subordinate only to the state, strictly speaking to the CPY. Means of communication such as telephone, radio, and correspondence also belonged to the state monopoly of communication. There was no competition, but communication content was filtered and censored.

Yugoslavia also established a monopoly over its natural resources. The country was socialist; natural resources, means of production, and private property - with a few exceptions - were therefore collective property and owned by the citizens. Although the multi-ethnic state had no weapons of mass destruction, Yugoslavia, like most countries, could produce biological and chemical weapons of mass destruction. The country was a signatory to the „Geneva Convention" and was not interested in possessing weapons of mass destruction for this reason.

In contrast to the hierarchically organized transfer of values of the modern world system, accumulation in Yugoslavia took place until the end of Fordism through other conditions. The division of labor replaced or compensated this with COMECON states and upgraded with generous aid from the centers when a classical transfer of values took place from the periphery to Yugoslavia's economic center. If we would apply Wallerstein's model to Yugoslavia and construct the country as a center, we would get the following picture; as described in Wallerstein's theory, the core extracts means of production from the peripheries, which is of interest. In addition, values are transferred from the periphery to the core. The question that now arises is what Yugoslavia extracted from? Apart from its national hinterland, Yugoslavia had no hierarchical interactions with peripheral states from which it could have extracted value. Yugoslavia prospered and developed, so to speak, rather from its means of production.

As the historical and theoretical comparison show, the multi-ethnic state succeeded for two decades, the effort of a catching-up industrial state, which favored the rise of Yugoslavia's economic center. The country fulfilled important economic core requirements, even if it carried these out in a symbiotic form of socialist-capitalist economy.

Yugoslavia as a periphery in the sense of the modern world system

As I have explained, the state structure's shape is an important characteristic of a periphery that can range from non-existence to a certain degree of autonomy tolerated by the centers. For decades, powerful authoritarian state structures maintained by the Communist Party with an iron hand legitimized the country. In doing so, the state shielded the national economy through import substitution until it was strong enough to meet international economic market conditions. In fact, the multi-ethnic state, at least until the mid-sixties, largely evaded the world market order during the time of the first borrowing.

Although socialist Yugoslavia at first truly fulfilled the conditions of an up-and-coming catching-up industrial state, history shows at the same time that this also succeeded because the world economy sprang up after World War II, and economic growth was only made possible by it (Popović, 2002). Yugoslavia's economy prospered and was stable only as long as the world economy was on the upswing. Even if the country could escape the modern world system's dependencies for two decades, Yugoslavia still depended on export business because the industry was based on export orientation from the beginning. As mentioned, Yugoslavia's industrialization and modernization programs relied on foreign loans. In the first place, declining export revenues due to a global deterioration in terms of trade and falling profit rates caused the government debt and trade deficit.

In addition to the existing debt, the oil shocks that occurred in the 1970s, which multiplied the price of crude oil, forced the country to take on more debt. In the 1980s, real interest rates on loans multiplied and plunged the already weak multi-ethnic state into the economic abyss. Although Yugoslavia managed to block international capital for some time, it was over with the World Bank and the IMF premises, which have acted increasingly like a world ministry of finance (Popović, 2002). In this context, the financial backers – all the more Yugoslavia was indebted – forced out ever-greater capitalist freedoms, and so the country became more and more dependent on the modern world system.

As was briefly explained, powerful waves of emigration have characterized the country since its founding. The world system theory assumes that the labor markets of the core region have bifurcations and that it is problematic to motivate original inhabitants of the core region to work at the bottom of the income distribution. This situation creates a demand for workers from the periphery in the core regions. In the case of Yugoslavia from the sixties and seventies onwards, there was a permanent migration of qualified personnel, productive working capital, and intelligence, as evidenced by the large migration flows to Austria, Germany, and Switzerland (Calic, 2019). Thus, the necessary capacities for the country, which were necessary for the economic development of the country, disappeared. In world-systems theory, brain drain and the emigration of qualified personnel is a hallmark of a semi-periphery, since only it has sufficient educational institutions and can therefore train people (Wallerstein, 2004).

However, the cultural peculiarities of the former Yugoslav communities flourished. With every step of the state's disintegration, culture and tradition were only absorbed and reanimated more intensively. One may think of the multitude of revitalized customs, festivals, and processions. In this respect, it is important to note that the Yugoslav population perhaps did not adapt to Western culture and traditions as they absorb capitalist consumerism and consumerism, which, as briefly explained, also had distinctive features in Yugoslav state socialism.

Although there are similarities between periphery and semi-periphery, Yugoslavia's position as a central border zone is difficult to determine. On the one hand, because the border between the core and the surrounding area is blurred, on the other hand, because, as the data show, Yugoslavia is more of a periphery, which only found its economic height for a short time. Even in the structural dependence model, a semi-peripheral position of Yugoslavia could not be identified. There was neither a transfer of values from a border zone to Yugoslavia nor a transfer via the multi-ethnic state to the cores.

According to Arrighi and Drangel, in their work The Stratification of the World-Economy: An Exploration of the Semiperipheral Zone, Yugoslavia is considered an "organic member of the semiperipheral zone" (Popović, 2002). However, (Gwynne et al., 2014) places Yugoslavia as a periphery arguing that it belonged historically to one of the less developed parts of Europe with strong agrarian tradition. As is now apparent, the former multi-ethnic state fits neither in the position of a core nor in that of a semi-periphery. Because Yugoslavia was, from the beginning, a peripheral region, and that did not change in its existence until its death.

Based on which indicators can the position of Yugoslavia as a periphery be determined? As pointed out, five state monopolies mainly determine whether it positions a state as a center or periphery. Although the multi-ethnic state undoubtedly had an economic core condition, these were not of long duration, or the conditions of a nascent core were only fragile. Until its destruction, Yugoslavia had significant state monopolies (such as the monopoly on natural resources and weapons of mass destruction, or the monopoly on media, communication, and security) that, in a sense, held the country together.

However, the state lacked the technological potential to advance its economic development. Yugoslavia thus did not meet all the criteria of a core because the country did not have a technological monopoly or technology could not keep up with the technology of the capitalist centers. Although the catching-up industrialization was completed in only a decade and some products were innovations, even reached world market maturity, the overall demand for Yugoslav goods declined rapidly. Reasons included a lack of innovation, creativity, and organizational structures and, above all, a lack of capital to invest in new technologies.

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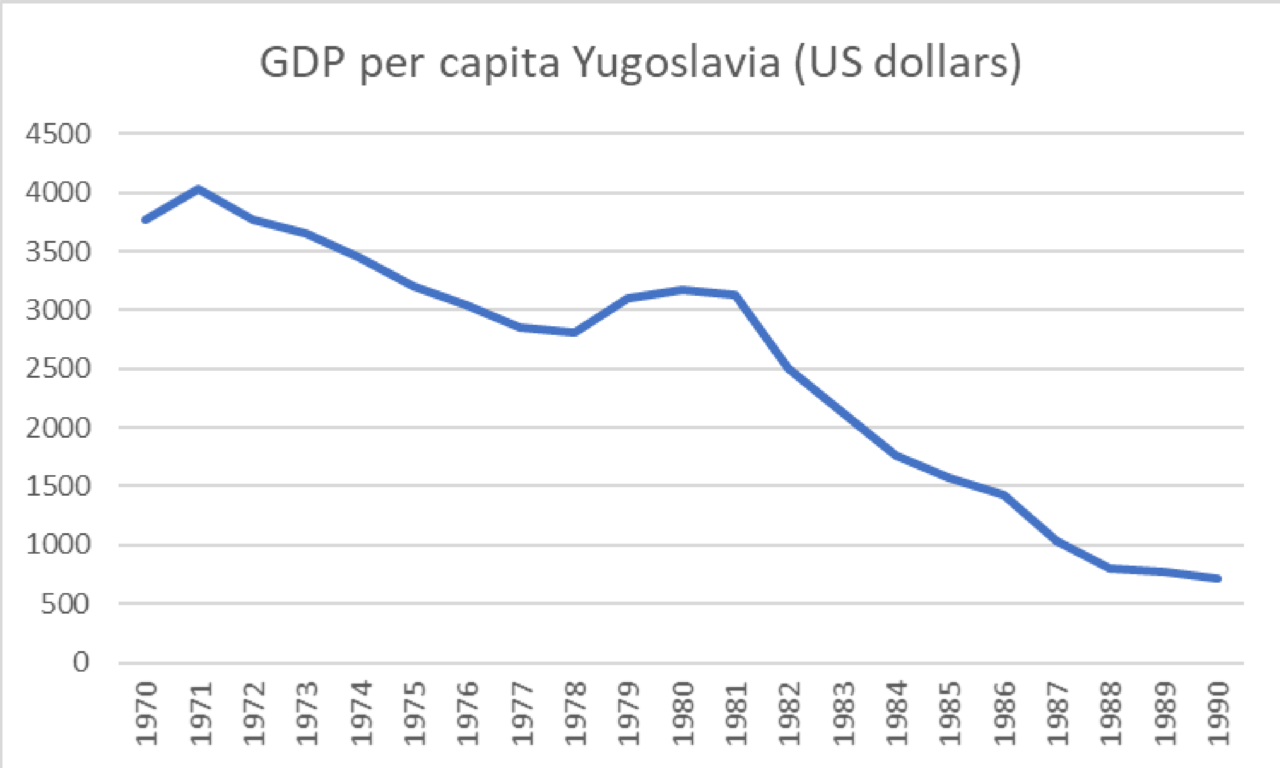
As far as global financial markets' control is concerned, this point does not need to be discussed in more detail. For, as history shows, the multi-ethnic state had complete financial sovereignty for only two decades. In the first Yugoslavia, financial and investment capital was firmly in Austrian hands. With the premises of financial organizations and lenders at the beginning of the eighties, foreign capital once again invaded the Yugoslav economy. It made less investment, as Yugoslavia spent all its financial capital to pay off its debts. So, there can be no talk of financial sovereignty, even control of global financial markets.

In the sense of the modern world system, a weak state structure is a prerequisite for the functioning of a periphery (I. Wallerstein, 2004), and the Yugoslav state, as we now know, had many weaknesses. What did the cores expect from a peripheral Yugoslavia? The state's withdrawal provided the best conditions for

GDP per capita 1970-1990 Yugoslavia



Source: UN data (*UNdata | record view | Per capita GDP at current prices - US dollars*, n.d.)

international financial organizations and capitalists to increase their financial and investment capital. The multi-ethnic state created optimal conditions for accumulation, in which it quickly opened up to the modern world system and created the conditions for lucrative investments and money multiplication. The centers promised themselves several advantages of a periphery Yugoslavia, namely; 1.) cheap and skilled labour force, (Kirn, 2010), 2.) cheap additional wage costs, 3.) cheap production conditions, 4.) sufficient infrastructure, 5.) low environment- and security requirements, 6.) weak political resistance, since no trade unions existed and the communist leadership complied with agreements, 7.) geographical proximity, 8.) elimination and immobilization of a competitor and, of course, 9.) capital accumulation, achieved on the one hand by profits, by trade and investment, on the other by interest on the loans taken out and the decline of the national wealth and savings (Uvalić, 2018).

How did the transfer of values from Yugoslavia to the centers occur, and how could structural dependence be determined? A short comparison should give us an answer.

1.) Transfer of values I: From the informal and formal sectors to the Growth islands of the periphery; in the model of structural dependence, the core of a periphery is the world market-dependent center of the country, partly surrounded by an informal border zone. In Yugoslavia, Slovenia, Croatia, and some parts of Serbia were the enclaves tailored for the world market. As shown in theory, the formal cores were production and trade zones, export-oriented agriculture, and mining. By purchasing cheaper goods and outsourcing production steps to the informal area, they saved themselves the formal cores and ultimately the costs of the internationally active companies. The peripheral zones, especially the south of Yugoslavia, supplied raw materials and resources, with Slovenia and Croatia's formal cores producing refined and finished products (Calic, 2019).

As pointed out, miserable living conditions in the agricultural and informal sectors were also present in Yugoslavia. In order to compensate for the costs of reproduction, the Yugoslavs had to put their employment on several legs and compensate for the low income in one more job or the informal sector.

2.) Transfer of values II: From the growth islands of the periphery to the centers; in the international division of labour, the more highly valued capital-intensive and profitable tasks always came and come to the capitalist centers, while the peripheries, such as Yugoslavia, were left with the labor-intensive production of less qualitative goods. The extraction of raw materials, goods, and labor-power from the periphery's growth islands to the centers also took place in the multi-ethnic state in a classical manner. As in the Wallerstein approach, the transfer of values took place from the hinterland to the growth island. In order to comply with the premises of financial organisations and funders, it pushed a large proportion of people into the unfavourable informal or primary sector. The measure should have two effects: on the one hand, wages in the primary and informal sectors could be kept low; on the other hand, the state and ultimately the capitalist saved themselves social benefits in this way, since it does not take everyday work into account.

In the period of bipolar competition, the directive for the West was to prevent the spillover of socialism to uncapitalized states such as Greece, Spain, or Turkey with generous financial and reconstruction aid and political and economic pressure. At the end of the eighties, the United States and some European centers articulated vehemently and increasingly clear democracy and self-determination rights in the motto's sense „divide et impera," which were not limited to Yugoslavia (Glaurdić, 2011).

At the beginning of the 1980s, economic development in the Soviet Union reached its limits, but the communist leaders in the satellite states gradually lost their legitimacy. The transition emanating from the Soviet Union had enormous effects on Southeast and Eastern Europe's socialist states. Because with the fall of the socialist bloc, the capital centers changed their strategy; now, it was necessary to fill the left ideology vacuum in a neoliberal and geostrategic orientation. The developing countries should be forced into the world economy with debt measures, liberalization programs, and political pressure, even with military actions. Acording to Wallerstein the Soviet Union „was in effect the subimperial power of the US for eastern Europe, and a quite efficient one at that" (Popović, 2002). But why did the multi-ethnic state have to be destroyed immediately if a weak peripheral state had not provided Yugoslavia with secure accumulation and guaranteed transfer of values to the centers?

The treated work shows that a break-up of Yugoslavia was initially not conceived at all. Even a weak peripheral state ensures the safe transfer of economic values to the centers. So how could the demise of Yugoslavia be explained differently? The end of Yugoslavia's course could have assumed a momentum of its own, coupled with the separatism and capital interests of individuals, the ongoing social change brought about by the implosion of international socialism the imposing recognition of individual EC member states. In this decade, the modern world system has changed fundamentally. Capitalism has manifested itself in a more stable form. The world overcame the crisis of Fordism by establishing the new world order, the concept of neoliberalism (Kirn, 2010). The ideology of neoliberal thinking was conceived through Milton Friedman and August Friedrich von Hayek's theories, further developed by representatives of the Chicago School and implemented by American ideologists and economists, such as Jeffrey Sachs (Cahill et al., 2018).

The restructuring of the world economy had a significant negative impact on emerging and developing countries like Yugoslavia. All transition countries (semi-periphery) and developing countries (periphery), which were indebted to the World Bank and the IMF because of the economic crises of the seventies, had to accept a sell-off of their economy, guarantee the opening of the domestic consumption market for foreign investors and prevent trade barriers of any kind (Liotta, 2001). Here, cheap labour, poor working and precarious living conditions, poorly organized, or even missing trade unions were by no means considered obstacles. In this way, the peripheries completely ceded their national and economic sovereignty to the modern world system. The process also involved decentralization and regionalization and the disintegration of the state and in the case of Yugoslavia, even with a civil war.

CONCLUSIONS

The integration of Yugoslavia into the modern world system was based on a long history. Yugoslavia was not economically sovereign except for two decades because already with the foundation of the kingdom, international, especially European financial capital, had penetrated and deformed the economy. It divided the country's raw materials and entrepreneurial landscape among the capitalist centers of Europe; they oriented all economic life and foreign policy to the principles of the modern world system. As a result, the Yugoslav economy could not make sufficient adjustments and progress in agricultural and industrial production. Still, the country had to react to various changes in the international market economy, economic crises, and regulations of global financial capital. The result was that it only strengthened the position as a peripheral economic zone with the advancing years.

After the break with the Soviet Union, Yugoslavia's through capitalization took place on a global scale. Because to develop economically, the SFRY had to cooperate with countries in the West, which led to increasingly intensive export orientation. The increase in education and the massive use of labor-intensive capital initially drove industrialization, modernization, and prosperity. The system of the „socialist market economy" achieved quite spectacular prosperity gains. In addition, Yugoslavia enjoyed the advantages of both world systems because of its non-alignment, but over time was pushed deeper and deeper into dependence. Nevertheless, with the end of the Fordist accumulation regime, the expansionary phase of Yugoslavia's economic development also collapsed at the end of the sixties. At that time, the country could not compete with its export goods globally for a long time. They did not use productively investment capital but pumped into unprofitable enterprises. There were no innovative efforts, and the self-management of workers, while providing the opportunity for local independence, was unproductive and uncompetitive. Moreover, „old communists" blocked democratic reform projects. Yugoslavia's unreformed political system has been vegetating for 30 years.

Despite significant investments in infrastructure, the economy, and welfare, efforts did not equally cover all population segments. The South remained economically backward, and the development gap did not narrow despite massive investments. Centralist state structures, which could have united divergent interests and economic development differences and guaranteed a strong Yugoslavia, lost more and more importance. As financing catch-up industrialization and wealth distribution became more costly, economic crises wiped out export markets, and the terms of trade declined, the country got into debt with foreign creditors. With the scarcity of the dollar market, loans were only issued at variable interest rates, which drove interest rates up and Yugoslavia into bankruptcy. Taking out new loans meant agreeing to the conditions imposed by the World Bank and the IMF, which provided for liberalization and the dismantling of the welfare state. In the sense of the modern world system, the dismantling of the welfare state, the disintegration of society, and structural dependence are essential prerequisites for a periphery that is too dependent on the value, and Yugoslavia fulfilled these prerequisites.

A weak state is the dominant characteristic of a periphery, and Yugoslavia was a weak state. Especially with the constitutional reform of 1974, which provided for a final fragmentation of the country, the socialist project Yugoslavia was history. Already the constitutional amendments of 1953 and 1963 undermined the state structures and functions. However, the 1974 Constitution finally brought about the decentralization of economic and political decisions. It shifted them to the regional level, resulting from which the state lost important instruments for the overall regulation of the economy and the federal budget.

The result was a slowdown in production, high public debt, hyperinflation, declining quality of life, and, as a consequence, the nationalization of political and economic decisions. The ever more consequential decentralization and deformation of state functions inhibited the state in its tasks and functions. It satisfied the economic and political elites with the cessation of payments to the „Federal Fund" and the demand for legal and economic independence, thus paving the way for the invasion of international financial capital. With nationalist campaigns, there had to be political tensions and, as a result, economic struggles for distribution in a region that had always been different, such as Southeastern Europe. The problem of ethnic, cultural, religious, or linguistic heterogeneity and diversity was not a problem of the society that favored the death of Yugoslavia but of a few who wanted to see their interests satisfied. The social tensions served the elite groups in the northern republics only as a pretext to appease their own, above all capital, interests. Accumulation was not possible with a socialist economic model. The elites, especially those in Slovenia and Croatia, were no longer willing to finance the developing South.

In order to understand the destruction of Yugoslavia in its entirety, however, the factor of the economic struggles for distribution falls far too short. The dissolution of the SFRY was also a result of the neoliberal economic program established in the 1970s. The goal of the neoliberal paradigm was the subjugation and incorporation of Yugoslavia into the modern world system. Unlike many other emerging developing countries, which quickly submitted to the neoliberal paradigms, the Yugoslav government persistently refused to open the market to foreign investors. The stubborn opposition regarding privatization of state property and the rejection of the hollowing out of the social system in favor of international finance capital ultimately led to the exclusion of Yugoslavia in the form of diplomatic and economic sanctions. Finally, military intervention by the so-called „International Community" occurred. With their policy of early diplomatic recognition, the actions of Western states intensified the spiral of aggression in Yugoslavia.

So there is not one or the other decisive factor that can be blamed for the dissolution of the multi-ethnic state because a combination of several factors causes the failed state of Yugoslavia. Above all, however, from an interaction of internal weakness of the state, which was caused by economic struggles for distribution and separatism, and the growing dependence on the capitalist centers over time. The factors of this socio-economic interaction and hierarchical connection, as we now know, led to the death of Yugoslavia. In addition, there was a mix of progressive individualism and socioeconomic changes associated with the end of the bipolar measurement of forces. All these factors entailed a transformation that Yugoslavia was not up to. With the end of state socialism, infinite space was suddenly free for capitalist powers, which quickly filled it with their interests and values. An „alternative transformation" that steers halfway into clear paths was no longer possible because of the already very advanced decentralization steps. As history shows, similar processes also took place in the former Soviet Union and Czechoslovakia.

As schematically shown, there was (and still is) a hierarchical world order emanating from the capitalist centers. I also suggested how this dependent interaction between center and periphery, in our case between centers and Yugoslavia, reacted. Based on five important state monopolies and the basis of the financial transfer of values from the periphery to the center, I incorporate Yugoslavia into the modern world-system theory to check whether these factors could be applied. With sufficient data and including all relevant aspects, I have concluded that we could use this concept as a socio-economic analysis tool. We can project Yugoslavia onto Wallerstein's modern world system without major complications.

So what is left of the multi-ethnic Yugoslav state? De facto, six new states emerged from the former Yugoslavia. Over 4 million people became refugees, permanently 2 million people left their homeland, Croatia, Bosnia, and Kosovo's Serbian province were „ethnically cleansed." It was precisely the main feature of South-Eastern Europe, ethnic, religious, and cultural plurality, that was suddenly abandoned forever to non-existence. Those responsible smashed a functioning regulatory and social system without building a new one. Instead of a strong centralist state, a weak one was implemented, leaving Yugoslavia to free-market forces. The transition from state socialism to state capitalism on an unprecedented scale took place with no conception of social reorganization and in a period for which the old capitalist centers required at least 100 years. Croatia endures its existence as a peripheral state; Bosnia, Macedonia, Montenegro, and Serbia are considered very weak states. Of all the former republics, only Slovenia maintained its economic position, namely, a semi-periphery.

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