

## SERBIAN SOCIETY UNDERGOING LONG-LASTING SOCIO-ECONOMIC CRISIS: A CRITICAL REVIEW OF EXPLANATIONS

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**ABSTRACT** Serbian society is presently facing a deep and long-lasting socio-economic crisis. The Serbian government, in order to prevent the country's economic collapse, has introduced "new reforms" aimed at increasing financial consolidation and enhancing new, primarily foreign, investment. The first measures of the reform package involved reducing the salaries paid to individuals employed in the public sector and reducing the pensions of individuals who receive pensions from public pension funds. This paper is devoted to an analysis of the overt and hidden justification for such measures. The present Serbian political leaders seem to consider "the building of socialism", worker self-management, and socialist egalitarianism to be the key causes of the long-lasting socio-economic crisis in Serbia. "Working people" who had allegedly supported the previous socialist order appear to be considered the beneficiaries of that inefficient social order. Therefore, recent measures for reducing governmental spending should fall on "the shoulders of working people". The paper presents an assessment and findings which should show, in a different light, the functioning of the former socialist order in Yugoslavia and Serbia. It accentuates the specific societal orientation and public policies that contributed to the excessive spending of the former socialists, and even of the new "post-socialist" Serbian state. Leading political forces, former and current, played a crucial role in designing and implementing economically destructive public policies, not ordinary citizens ("working people"), in spite of the former's worker self-management and the current "rule of democracy". The author suggests employing an alternative strategy to confront the long-lasting socio-economic crisis in Serbia; a strategy of increasing and efficiently using all disposable economic and social resources. A new and thorough redesign of ownership relations in society is the key component of this strategy.

**KEYWORDS** socio-economic crisis, weakness of socialism, self-management, egalitarianism, anti-crisis strategy, public policy, redesign of ownership, Serbian society

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## INTRODUCTION

The focus of this paper is on recent (2014-2016) developments in modern Serbia, and, in particular, on the mainstream *explanations*<sup>2</sup> for the long-lasting *causes* of the socio-economic crisis in Serbia. These prevailing *explanations of the main causes* of the *formerly unfavorable economic and overall social developments* in Serbia (especially developments since 1990) have led to the specific *articulation* of an actual *strategy of societal transformation*, to the determination of specific *public policies* aimed at the elimination of the crisis, and to the concretization of *actors* responsible for previously unfavorable developments; actors on whose shoulders should be placed most of the burden of the recent policies aimed at the elimination of the crisis.

Governments that wish to be really efficient at eliminating crises in their countries should be open to *public dialogue*, especially about the basic *causes* of previously unfavorable social developments. This paper addresses some issues related to this topic such as the *causes* of the long-lasting social crisis in Serbia, and the *public policies* which are needed to initiate changes which will lead to more successful social development in Serbia in the future.

Of course, it is most difficult to make unquestionable, scientifically based claims about specific *causes of social development*<sup>3</sup>. However, by revoking some well-established *findings*<sup>4</sup> about real developments in Serbia during the “years of socialism” (1945-1990), the author attempts to minimize the danger of presenting an *ideologically* biased critique of current anti-crisis public policy in Serbia. These findings, of course, will be presented in a condensed form by mentioning just some of the relevant studies, assuming that readers of this paper are not in need of thorough documentation for every statement which relates to long-term

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2 In focus are the mainstream explanations expressed in dominant political narratives and in scholarly and other works by influential economists, political scientists and other intellectuals. One of the most politically influential works about reforms in post-socialist Serbia (post-1990) was presented by Group 17 (1997). One should also consider important the scholarly elaboration of the main causes of the unfavorable socio-economic performance of “socialist Yugoslavia” by Lj. Madzar (1990).

3 Social scientists are aware of the complex nature of causation which must be addressed when dealing with social phenomena. One could evoke the name of a classic writer on this topic (R.M. MacIver, 1942), and, of course, many others. This author consulted on this topic V. Milic (1978:642-657).

4 These *findings* are, in most cases, based on statistical data about the performance of the economy and some other features of everyday life in former Yugoslavia described and commented on in books such as that of B. Horvat (1984), S. Bolcic (1974), S. Bolcic (2013), and some other sources which will be mentioned in this paper.

developments in Serbia<sup>5</sup>. This paper is only intended to be a review paper, not a thorough study (book) about all aspects of the Serbian socio-economic crisis that has lasted for many decades.

This author assumes that current *mainstream explanations* for the main causes of the long-lasting Serbian socio-economic crisis, at least in part, originate from *ideological* standpoints which are held by current political leaders in Serbia and their supporters about the *generally negative socio-economic impact of socialist orders* in general, and also of the peculiar *self-management socialist order* that existed in former Yugoslavia and Serbia in the period 1945-1990. These *ideological standpoints*<sup>6</sup> are usually not made explicit in explanations for the current anti-crisis public policies. Current political leaders in Serbia assume that, due to the collapse of the socialist order in most of the former socialist countries following the end of 1989, including the Soviet Union and former “socialist Yugoslavia”, the claim they make about the generally negative socio-economic impact of socialist orders is unquestionably “historically” proven. This assumption justifies their tacit, unspoken ideological standpoint about the long-term causes of the current Serbian socio-economic crisis that they promise to overcome. However, this ideological standpoint becomes clear when the measures involved in the “new reform” are elaborated and when the *social actors*, on whose shoulders will be placed the main burden of these new anti-crisis reforms, are determined.

Before entering the debate about the causes of the long-lasting and current socio-economic crisis in Serbia, it is useful to present some *clarifications about the characteristics of the Serbian crisis* which current “new reformers” promise to overcome using the new “radical reform measures”<sup>7</sup>. Even when current Serbian political leaders define the *current socio-economic crisis* in terms of the *present* malfunctioning of the economy (recessions, or the negative GDP growth rate of the past several years; enormous foreign debt – over 24 billion USD; increases in the state budget deficit; a high level of unemployment – over 20% of the labor force in 2014), which has been an issue since the pre-1990 period, it is also claimed that these negative trends have been significantly caused by the inappropriate state policies of *previous* times, enacted by former “post-2000” Serbian governments.

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5 A relatively short but relevant analysis of the long-lasting development and systemic weaknesses of the Yugoslav self-management system prior to the years of transition (year 2000) is given in Y. Koyama (2003).

6 *Ideological* standpoints are usually presented as generalized *value*-biased statements; as “axioms” which should not and cannot be questioned; used by advocates of certain *particular interests* as “proper” and socially “correct” interests.

7 The author uses sometimes quotation marks to indicate that mentioned phenomena are not real but quasi phenomena.

Some analysts<sup>8</sup> of post-1945 developments in Serbia are inclined to say that, except for some successful years, former Yugoslavia (Serbia being part of that state), has been in *permanent crisis*. These analysts consider this crisis to be an unavoidable consequence of the “building of socialism” that began after 1945 when the Yugoslav Communist Party took power in Yugoslavia.

However, in a stricter sense, social scientists started to speak about the “crisis situation” in former Yugoslavia at the beginning of the 1980s<sup>9</sup>, when – in spite of some socio-economic reforms enacted during the 1970s – inflation rapidly accelerated, along with unemployment and foreign debt, due to the negative balance in international trade, as well as a steady decrease in the GDP growth rate and the worsening of the living conditions of the great majority of citizens in the former Yugoslavia<sup>10</sup>.

These negative economic trends continued during the 1980s, provoking a deepening of the *social crisis* characterized by serious social cleavages, social disintegration, and inter-ethnic conflicts which could not be mediated by existing institutions. The existing political system manifested its inability to resolve conflicting economic and other interests within the Yugoslav Federation<sup>11</sup>. Largely independent political elites in republics (following the beginning of 1980) started to build their “legitimacy” and power by making promises to citizens in their republics to safeguard *primarily*, and, if necessary, “by all means”<sup>12</sup>, the “state and national” interests of citizens in given republic<sup>13</sup>, even if this should imply leaving the existing Yugoslav federal state. Ethno-national sentiments have been

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8 See Lj. Madzar (1990), D. Popovic (2014).

9 This author coordinated a group of sociologists, appointed by the Presidency of SFR Yugoslavia in 1982, as an expert group in charge of elaborating the social aspects of the long-term program of economic stabilization. This group characterized the social situation in Yugoslavia as a situation of *social crisis*, while the situation was officially qualified as a situation of “economic instability”. For more on this, see S. Bolcic (2013: 268-272) and also J. Zupanov (1983).

10 For more about this crisis, see B. Horvat (1985:7-10)

11 Federal institutions (the federal assembly and federal government) were unable to enact timely resolutions and laws that could have resolved the state’s problems, such as preventing further inflation, providing funds for promoting the development of less-developed areas (republic and provinces) of Yugoslavia, or even the election of the presiding member of the Presidency of Yugoslavia who acted as the “collective head” of the state of Yugoslavia.

12 This qualification was expressed in one of the statements made by S. Milosevic during the unsuccessful meeting of former leaders of Yugoslav republics in the spring of 1991. “By all means” also refers to the start of the “internal war” which began in spring of 1991, first in Croatia (Plitvice) and then in Bosnia and Herzegovina.

13 This explanation of the essence of the conflicts in former Yugoslavia has been also suggested by Koch, a Dutch political scientist, as quoted by Koyama (2003:47).

enhanced in all spheres of everyday life<sup>14</sup>. *Political ethno-nationalism* started to mold the political orientations of all the actors from the social scene.<sup>15</sup>

Without attempting to provide a thorough description and explanation of the factors which caused the *dissolution* of the Yugoslav federation at the beginning of 1990s<sup>16</sup> (which provoked tragic *internal wars*, wars between various parts of the former Yugoslav state, wars between the still-legal, at the beginning of 1990s, Yugoslav Army, and legally established “territorial armies” in some republics (Croatia), wars between ethnic groups within republics, and wars between nominally legal and “para”-legal militarized units in various local communities), it is clear that the *social crisis of the 1980s* in the former Yugoslavia (and also Serbia) entered its most destructive form in the 1990s, with tragic human losses and the most damaging consequences for the future economy and everyday lives of people in every part of the former Yugoslavia. All further specific crises which occurred in the period following the beginning of 1990s in Serbia, including the current crisis being tackled by the new “radical reforms” of the present government led by Aleksandar Vucic, are consequences of the developments of the 1990s, including the consequences of the *policies enacted by the regime of Slobodan Milosevic* who played the *crucial role* in generating the tragic and the most destructive social crisis of the 1990s<sup>17</sup>.

Even if this *dynamics of crisis evolution* since the beginning of the 1980s in former Yugoslavia and Serbia has been part of the personal experience of all who lived in this country, including the current Serbian leaders, many of the analysts of the current crisis in Serbia are inclined to forget the *causal effect of the tragic crisis of 1990s on the current crisis*, and to focus attention either on the weaknesses of former *socialist order* in Yugoslavia in general, or on the *weaknesses of post-2000 governmental policies*.

The current government tends to justify their “new reforms” by pointing to the weaknesses of the policies put in place by all post-2000 governments led by the Democratic Party and its various coalition partners. However, the key

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14 Support for this claim can be found in a book by A. Mimica and R. Vucetic (2008) in which is presented a systematic review of “readers’ comments” about the happenings in Yugoslavia and Serbia which were published in the daily newspaper POLITIKA.

15 See, D. Vujadinovic et al., eds. (2005); in particular the contribution by B. Jaksic (pp. 181-200).

16 The quantity of written materials about this topic is enormous and growing. “Explanation stories” are different, often providing conflicting answers. A comprehensive review of these narratives and “stories” about the dissolution of the former Yugoslavia is given by J. Bakic (2011). Also, the findings and assessments of the author of this paper are presented in a book by the author (S. Bolcic, 2013:57-89).

17 An analysis of the social crisis of the 1990s is given in S. Bolcic (2013). See also S. Bolcic’s paper in the *Corvinus Journal of Sociology and Social Policy* (Vol. V, 2014/2).

element in the *strategy of recovery* of Serbia by these post-2000 governments has been the idea of the “*transition from socialism*” and the restoration of the modern *capitalist* order, primarily through the *clear privatization* of all firms that were formerly under “social ownership” and were organized as “self-management organizations”, followed by privatization of most of the firms in “public ownership” and also of most of the firms in “state ownership”<sup>18</sup>.

The key rulers of these post-2000 governments in Serbia were ideological supporters of the pro-capitalist regulation of the economy, convinced that “neoliberalism” was the best theory for explaining the efficient rules for building a prosperous economy and society. One may wonder what the reasons are for the radical critique of these post-2000 governments by the current Serbian government who wish to start a *new strategy of recovery* for modern Serbia. According to the explanations provided by the current government<sup>19</sup>, the previous governments were not ready and sincerely committed to introducing the most “painful reforms”, such as limiting and reducing the personal incomes of those employed in the public sector, and the reduction of pensions of those whose pensions are being paid for by public pension funds. Also, those previous governments, it is claimed, provided a “space” for the enrichment of narrow groups of private businessmen (“tycoons”) who were involved in many corrupt activities which previous (post-2000) governments tacitly tolerated, often for their own personal benefit. According to the current claims, widespread corruption is one of principal reasons for the hesitation shown by foreign investors about starting businesses in Serbia. The “battle against corruption” was one of the first measures enacted by the government which was formed after the 2012 parliamentary elections when the Serbian Progressive Party got a majority of seats in the Serbian Assembly, and when A. Vucic became “First Vice-President”.

The present Serbian leaders received support for their “radical reforms” from most influential Western leaders and international institutions, and received appreciation for the outcomes of those reforms. The *policy of austerity* practiced in Serbia, in the first place through the reduction of the personal incomes of the majority of those employed in the public sector, and the reduction of pensions (not all pensions, but some 40% of the pensions paid from public pension funds which amounted to more than 25000 dinars per month) seems to be in accordance with the prevailing orientations of governments in countries facing various forms of economic crisis.

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18 On the legal differentiation between firms in public and state ownership, see Zakon o javnim preduzećima (2016).

19 See Vucic (2014).

The current Serbian government promised to avoid “state bankruptcy” by reducing budgetary spending on personal incomes and pensions; by cutting all other spending related to the functioning of national and local state administration; by reducing unpaid contributions to the budget due to the extensive “grey economy” and tax evasion; and by supporting new investment, primarily in the private sector, which would generate new employment and reliably increase the state budget. In the long run (over the next several years) such measures should generate a steady increase in the GDP growth rate, new employment in profitable businesses, the gradual reduction of foreign debt, and a gradual increase in personal incomes and pensions which will not lead to an increase in the state budgetary deficit as was the case during the period of rule by the preceding post-2000 governments.

This new government, formed by the Serbian Progressive Party and supported by over 50% of voters in 2012 regular elections, and also in the 2014 and 2016 snap elections, seems to have garnered democratically expressed consent from the Serbian citizenship for its anti-crisis public policies. Except for the critical assessments of these anti-crisis policies by most of the parties in the opposition and by some social analysts, there has not been serious open social protest against these policies, even from those whose personal incomes and pensions have been reduced.

However, A. Vucic’s government has extended the time (first from 2015 to 2016, then to 2017-2018) that they claim the positive outcomes of these anti-crisis policies will become visible by, and also used all forms of political marketing to popularize the government’s anti-crisis activities and the “signs” of change in the promised direction. It is a fact that the state budget deficit has decreased, even exceeding expectations in 2015 and the first half of 2016; that the GDP growth rate has been positive (0.8% in 2015 and, most probably, 2.5% in 2016); that the rate of unemployment fell from 21% to 19.5% in 2015, and also that the level of inflation has been kept very low over the last two years (less than 2% annually). The facts are also that total state foreign debt continues to be very high (about 24 billion USD, and over 70% of the yearly GDP); that certain large public companies under direct government control continue to “produce” big business losses which must be covered by the state budget; that the total level of consumption continues to be reduced in comparison to the pre-2014 level, and that a real “big push” in new investment (by foreign and domestic investors) is still awaited.

The aim of this paper is not to assess in full scope this recent Serbian anti-crisis policy. The key issue here is to examine the “contextual explanations” for the causes of previous and current crises in Serbia; explanations which lie behind the specific articulation of the present anti-crisis public policies.

## ON THE EXPLANATIONS FOR THE KEY CAUSES OF SOCIO-ECONOMIC CRISIS IN SERBIA

During the assessment of the actual economic and the overall social situation there have been various qualifications, sometime even very “dramatic” ones, like those which claimed that “Serbia is facing *economic collapse*”, or that there is a threat of a “Greek” scenario<sup>20</sup>. This indicates that the state has become an overburdened debtor<sup>21</sup> which is not able to meet its financial obligations toward external creditors, and also that it cannot meet its obligations towards its own citizens. Leading state functionaries, faced with such a serious situation, have proposed to their citizens “painful reforms” that will last for several years in the form of *reduced rights and increased obligations* as the only means to prevent this frightening movement towards overall *state collapse* in Serbia. It is expected that citizens will accept this *policy of austerity*, in part because they “love Serbia as their homeland”<sup>22</sup>, but also because citizens are aware that in the previous decades they lived better than they should have, especially considering how they worked. Citizens may also be considered culpable for their *tolerance* of, or tacit *consent* with, the “socialist social order” and public policies which generated economic decay in Serbia.

Are these sacrifices imposed on citizens in present Serbia *just*, and should “ordinary people” unquestionably accept the main burdens of this new battle to “build” a prosperous, modern and normal Serbia?

Of course, throughout history, all state misfortunes and all state expenses have fallen onto the shoulders of citizens; primarily onto the shoulders of those “ordinary” citizens which are the most numerous in every society, and who comprise the segment of society with very limited *social* power, unable to counteract the often unjust demands of those in power. Still, if “ordinary” current citizens of Serbia cannot avoid the fate of shouldering the main burden of the new austerity policies (aimed at “healing” the “sick” Serbian economy), they must not, at least not consentingly and willingly, accept the role of being the *main culprits* for the “sickening” of the former Serbian economy.

If one reconsiders, using appropriate arguments, the mainstream explanations for the causes of this “sickening” of the present Serbian economy, one cannot easily

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20 Such assessments were often given over the past several years by the Serbian Prime minister A. Vucic in his public statements, and also in his expose to the Serbian Assembly (2014).

21 The budget deficit in Serbia in 2014 was over 6%. The law stipulated that a maximum state debt toward external creditors of 45% of annual GDP was tolerable, but in 2014 debt was over 70% of yearly Serbian GDP.

22 This expected “love for Serbia” is often stressed by A. Vucic (2014) in his speeches to the public.



*correlate* the longer-term malfunctioning of the economy and the *wrongdoings of masses of “ordinary “citizens and the inappropriate work of ordinary employees* which would justify these new “painful reforms” and the worsening of the living conditions of ordinary citizens. It will be shown in this paper that these explanations for the causes of economic decay and justifications for austerity measures are contaminated with *ideological biases*, and that they favor the interests of certain social groups, especially those who control the key sources of societal power, wealth and the state’s repressive apparatus in the first place.

The key factor in the malfunctioning of Serbian society, as stressed in recent explanations<sup>23</sup>, is the “building” of the *socialist* (some prefer to say “communist”) socio-economic *system* that has been dominant during the post-Second World War history of Serbia (Yugoslavia).

Many learned and lay commentators are convinced that such a system was doomed to fail<sup>24</sup>, generating the *behaviors* of various social actors that were, in the long run, counter-productive in the economic and the overall social sense. The recent (post-1989) decay of most of the “socialist” *regimes*, those of Eastern Europe in particular, seems to justify this “historical verdict” of socialist systems as *anti-modern* and inefficient social arrangements. Therefore, if citizens in present Serbia are faced with unfavorable living conditions, this is, in first place – according the claims of their actual political leaders – a result of the open or tacit *consent* of these citizens to the “*building*” of *socialism* in Serbia since 1945.

In the realm of *ideology* and in the formation of the actual dominant *social consciousness*, this generally *negative assessment* of the previous “socialist order” appears to be backed up by a great number of ordinary citizens<sup>25</sup>, even if these citizens are not able to connect the “shortcomings of socialism” and the actual experience of everyday life they had during the “socialist” period in Serbia. They still remember many *good things* that ordinary citizens had in their everyday lives during those “years of socialism”, and they regret the loss of those good things in the recent “post socialist” years in Serbia<sup>26</sup>.

Sophisticated commentators about socialist systems<sup>27</sup> have, of course, better insights into socialist ideas and “socialist practices” and, if they consider seriously all the relevant findings, will not easily discard socialist social arrangements as a historical “dead-end”. One could warn that there is not just one cause for the

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23 See for example, Madzar, Lj. (1990; 2000) and Labus, M. (1994).

24 Lazic, M. (1987:34-36), Labus, M. (1994).

25 According to the findings of S. Mihajlovic (2005), some two-fifths of respondents in Serbia in 1997 negatively assessed the previous socialist system.

26 S. Mihajlovic (2005:210-218) has presented survey results confirming these observations.

27 See, for example, B. Horvat (1984), and V. Katunaric (2013).

unsuccessful functioning of any given society, and the “socialist order” might be just one of those causes. *Public policies*, based on the premises of one key factor, designed primarily to correct *systemic* shortcomings, may easily be inefficient, generating many unforeseen social consequences.

One should not forget the scholarly and valuable comparative studies of contemporary social systems<sup>28</sup>; for example, the works of Jaroslav Vanek (1971) and Branko Horvat (1984) which emphasized some of the *comparative advantages of socialist societal orders* (including those of the Soviet Union and socialist Yugoslavia in the years 1950-1980). Quantitative indicators of the *wellbeing* of the “average citizen”, as documented in B. Horvat’s book *Political Economy of Socialism* (1984) suggest that somewhat better *societal* conditions existed in countries with “real socialism” then in the countries with developed capitalist systems during the same time period. “Socialist societies” were societies with *less economic inequality*, with *greater access to education and health care* and *greater increases in life expectancy* (Horvat, 1984: 53-55). Horvat (1970) also presented data about the post-1945 development of Yugoslavia, documenting the positive rates of growth of social products, capital, employment and “technical progress” during the years of “self-managed socialism” (1954-1967) in comparison to the years of “state socialism” (1945-1953), and the years of capitalism (1911-1940).

*Self-management* is the next specific cause of the economic and the overall “social abyss” of the “Titoist” Yugoslavia and “socialist” Serbia. Some critical analysts<sup>29</sup> claimed that self-management generated *bad behavior* by “*self-managers*” However, during the years 1960-1980, there were many positive assessments of the achievements of “self-managed socialism” in Yugoslavia, especially in comparison with the achievements of the “soviet type of socialism” in other “socialist countries”. After the collapse of the “socialist” regimes in most East-European countries, and the collapse of the “socialist” Yugoslavia, many of the critical analysts of “socialist systems” started to negate any positive features of the Yugoslav “self-managed socialism”, claiming that, in essence, the “system” had been just another form of nondemocratic, basically totalitarian, historically doomed-to-fail, “Soviet socialism”. Therefore, the ending of “socialism” in Yugoslavia (and Serbia likewise) should have led to the end of self-management arrangements in enterprises, in local communities and at all institutional levels of

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28 See F. Cerne (1986) on the methodological problems in comparative studies of the efficiency of various socio-economic systems.

29 Among the initial critics of self-managed organizations, B. Ward’s (1958) work on the “Illyrian enterprise” has had considerable influence. See for the critical assessments of Ward’s analysis, F. Cerne (1986:8-11).

the newly established “national states” within the borders of former “republics” of Yugoslavia.

Among the main reasons for the abandonment of self-management arrangements, stress has been laid on the *inefficiency of governance* and of the *dysfunctional executive management* of all forms of business activities. It was claimed that self-management arrangements separated decision-making and accountability for such decisions, the consequence frequently being bad economic and other decisions<sup>30</sup>, the squandering of limited resources, irrational investments, the spending of unearned revenue, remuneration for “non-work” and excessive payment for unskilled jobs, the underpayment of professional work, and ignorance about the entrepreneurial and innovative contributions of all participants in the sphere of work. “Self-managers”, normatively defined as all employed persons in the given work organizations, according to the assessments of those would criticize “self-management systems”, tended to suffer from excessive and irrational employment conditions, and benefit from increases in personal incomes unrelated to the real economic performance of the given businesses (unjustified by their productivity, by the market valorization of their real work). Short-term needs relating to personal consumption, allegedly, were prioritized over the long-term need to improve technology and the organizational capacities of enterprises<sup>31</sup>. If one adds to these “weaknesses” of self-managers in performing their *institutionally imposed managerial role* their inclination to promote the legality and *legitimacy* of the decision-making of real “rulers” (directors and “communist” political leaders appointed by the dominant Communist party, whose decisions were often very voluntaristic, with damaging consequences), the situation becomes even more about “just” blaming “self-managers” for the present economic and other difficulties of present-day Serbia, and the readiness of Serbian leaders to get rid of all remnants of former “socialist self-management”.

In spite of serious scientific investigation into the effects of self-managed economies<sup>32</sup>, the general disqualification of self-managed social arrangements, especially in recent assessments, have been often *ideologically biased*, even if some of these critical arguments have been based on a comparative analysis of

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30 See, Lj. Madzar (1990).

31 See, Koyama, Y. (2003:13-15)

32 S. Pejovic, in his book *The Marked-Planned Economy of Yugoslavia* (1966), suggested that *self-management* could be understood as an “organizational innovation” in a Schumpeterian sense which generates positive changes in the “production function”. S. Bolcic (2003:273-277) summarizes economic and sociological findings about the efficiency of self-managed work organizations. It is relevant to stress the existence of great international scientific interest in the experiences and achievements of various modes of self-management. Contributions presented at the first conference on “Participation and Self-Management” held in Dubrovnik in 1972 have been published in six volumes (Pusic, E., ed. 1972-1973).

the functioning of various social arrangements in other “non-self-managed” countries. Some of the comparative “findings”, especially those confirming the greater *economic superiority of capitalist societies* in comparison to the economic inefficiency of the Yugoslav “self-managed” economy, were based primarily on data that described economic developments in Yugoslavia *since the 1980s*. These years of protracted and accentuated crisis in the former Yugoslavia cannot be explained solely in relation to the weaknesses of self-management system, especially not by the lower level of productivity of workers in self-managed enterprises<sup>33</sup>. If one had used the same approach to qualify the weaknesses of capitalist economies using findings about the performances of these economies in the 1930s during the “Great Depression”, one might easily have predicted the end of capitalism.

The other *weak point* in these deprecations of self-management in Yugoslavia (Serbia) which identify the inappropriate behavior of “self-managers” (defined as “masses of mostly unskilled employees” lacking competence and responsibility in decision-making) come from the *attribution of greatest real social power to these same “masses”*, in spite of sociological findings showing a radically different and *nondemocratic distribution of power* in Yugoslav work organizations and in society in general<sup>34</sup>. It has been known<sup>35</sup> that key decisions in organizations were made by directors and the executive management teams of firms and by political functionaries at all levels of the state. The assessment that the *political class* is the new *governing class* in all forms of “real socialism”, including “self-managed socialism” in Yugoslavia, has been included in most of critiques of socialism and self-management. One may wonder about the hidden reasons for treating the practically powerless “masses” of ordinary employees and citizens as the *main culprits* for the unsuccessful economy and society which existed in Serbia during the “decades of building of socialism” in this country.

It is evident that there were pronounced *discrepancies* between the normative “blueprint” and the practical realization of self-management at all levels of societal organization<sup>36</sup>. Still, when judging the outcomes of the self-management

33 N.Mileusnic (1968) claimed that worker labor productivity measured at the level of the “work-place” in comparable firms in Serbia and Sweden was similar, but the differences in favor of Sweden increased when productivity was measured at higher levels of the work organization (firm or business group) and differences were even greater at the state level (overall societal organization).

34 A summary of such findings about power relations in Yugoslav self-managed society have been presented in Bolcic (2003:265-272). See also V. Rus (1989), J. Zupanov (1969) and Zupanov (1987).

35 See the findings of V. Rus (1972) and J. Obradovic (1982)

36 J. Zupanov (1982) and J.Zupanov (1983:130-155) describe these discrepancies and elaborate strategies for overcoming them using various institutional modifications of the self-management system in Yugoslavia.

arrangements in former Yugoslavia and Serbia, one must consider both the positive and negative practical effects of these arrangements.

One would have to take into account the *real distribution of revenue* in the “self-managed” *organizations*<sup>37</sup>. In doing so, one would find that a considerable proportion of that revenue was devoted to the *internal financing of investments*, to internal funds for the so-called “*collective consumption*” of employees in the given firms (providing for the *education and skills-development of employees* and their children), and also to meeting the financing needs of so-called “*communal needs*” in local communities, and similar non-personal expenditure<sup>38</sup>.

It is evident that the overall *net personal incomes of employees* in former Yugoslavia were comparatively *low*. In the “years of privatization” after the 1990s *workers in general* did not have the *savings* to buy shares in their privatized firms and to become new private owners in Serbia. From recent sociological findings (Lazic, 2014:74-78) one can conclude that the recruitment of the “new capitalist class” in Serbia is not related to the unjustifiably “high personal incomes” of former “ordinary” low-ranking self-managers (workers).

It would not be right to overlook the fact that “self-managed” citizens in *local communities*, through the contributions taken from their net personal incomes in the form of so-called “local voluntary contributions”, provided funds for the building of local roads, of cultural and sports and recreational facilities, for local schools and health facilities, etc. These funds were provided in addition to the payment of regular state taxes at all levels of society. Thanks to these *contributions*, based on the direct and *voluntary* payments of “self-managers”, former Yugoslavia (and Serbia as one of the republics of the Yugoslav federation), which was a very underdeveloped country before 1941, and heavily destroyed

37 Data on *revenue distribution* in self-managed firms in former Yugoslavia can be found in work by M. Zec (1989) and M. Korosic (1989). According to A. Bajt (1988:7), in the former Yugoslav economy the main problem in the domain of investment was not the insufficient *level* of investment, but the *insufficient efficiency of investment* due to *unregulated entrepreneurial roles* both at the level of firm and at the societal level. “Workers collectives”, which were normatively supposed to act as “collective entrepreneurs”, in social reality could not act as entrepreneurs, either in terms of making crucial business decisions or in meeting obligations and managing the consequences of decisions made by workers’ councils, (Zupanov 1983:63-84).

38 Systematic evidence about the amount and effect of the financial “self-contributions” of workers and citizens in former Yugoslavia is scarce. Still, the available evidence (Grupa autora, 1985) shows that the total funding provided through the *voluntary decisions* of workers in enterprises and citizens in local communities in the form of *regular reductions in their net personal incomes* for a given time period (usually several years), contributed, for example, in 1983, 26% of the total communal and regional budget. Through such “self-contributions” were built most of the big clinics, a great many schools, cultural and recreational centers, roads and other “communal objects” in large cities (such as Belgrade and Zagreb) and in locations all over former Yugoslavia .

during World War II, was able to recover in a relatively short time period and become, at the end of 1960s, one of the better developed European countries.

One could claim that these *rational* decisions of “self-managers” have *corrected*, at least in some part, the economically and socially damaging decisions of the governing “political class”; decisions based on political, not on proper economic grounds, especially decisions about building new factories (in public known as “political factories”) and other large objects. Due to this ‘political’ spending of great amounts (in some cases, several billion dollars) of the country’s limited capital, or the taking out of hefty loans from external creditors, current citizens of Serbia are still paying from their generally small personal incomes.

The “*Smederevo steel factory*” is just one of those “political factories” in Serbia which, for decades (since the 1960s), has been unable to meet its financial obligations, largely because of enormous external loans taken out to establish and run this factory. Even if the *inefficient performances of all the employees*, workers and managers alike, including their inefficient work during the “years of self-management” have *contributed* to the unfavorable business performance of this factory, they cannot be blamed for the very *unwise initial decision* to build this factory<sup>39</sup>; nor for spending the great amount of state money transferred to this firm over decades; or for the continuous hesitation of political decision-makers, including the present ones, to take radical steps to put an end to the “production of losses” of the *Smederevo steel factory*.

The usual accusation that “self-managers” are prone to *over-employment* in their firms is often based on theoretical “econometric” findings<sup>40</sup> which stand on “shaky” grounds. Considering the real distribution of social power in “self-managed organizations”, and the real influence of the “political structures” on the *personnel decisions* at all levels of a societal organization, including business organizations, one must admit that most decisions about *hiring* employees, especially in *administrative* jobs, were *de facto* made by “political structures” inside and outside the organizations, and it is in the *interest* of these “structures” to obtain *loyal support* for their great power and privileged positions in society, including business organizations<sup>41</sup>.

39 Steel production in Smederevo depended from the very beginning on imported pig iron and coal and therefore was associated with enormous transportation costs. The market realization of this production depended heavily on exports and the effects of the international steel market greatly affected its profitability.

40 B. Ward (1958) presented an econometric model of the functioning of the “firm in Illyria”, having in mind Yugoslav self-managed organizations. A comprehensive and critical assessment of Ward’s findings is given in A. Bajt (1988:39-70).

41 Lj. Madzar (1990:91) concluded that a system based on coercion, due to its inefficiency, required an elaborate system of administration with an increased number of jobs for administrators.

It seems reasonable to assume that the *total cost* of the defective decisions made by the socialist political class is immensely greater than the cost of the bad decisions of the “self-managers”. Of course, one might attribute all the defects of the previous (“pre-transition”) socio-economic order to the “self-management side” of that system in an attempt to *ideologically disqualify* that previous system and provide the *ideological justification* for a “new system” whose dominant (owner) class will prove its overall superiority and efficiency, at least in considerable part, by *underpaying for the work* of the masses of “ordinary” workers.

In the defamations of socialism and self-management in former Yugoslavia (and Serbia) a *systemic weakness* has also been claimed in the strong tendency of that system toward *equality*, and *economic equality* in particular. Due to such tendencies it is suggested that there has been *insufficient functional inequality* in the remuneration of functionally different social roles and in the valuation of the different *contributions* of those engaged in professional, managerial, entrepreneurial and innovative jobs. The consequence of this *overstressed egalitarianism* would have been a general *blocking of creativity*, the de-motivation of many members of society relating to the use and development of their talents, knowledge, and virtues, creating a brake on immediate consumption that would have increased personal wealth and investment capability, and a reduction in the fulfillment of individual interests that should also have been in the best long-term interests of the whole of society.

One could say that in “real socialist societies” this *overstressed egalitarian rule* was more verbally “*advocated*” by the leading political elite than actually practiced in everyday life, particularly in the everyday lives of those elites<sup>42</sup>. The “principle of equality” in remuneration was often used to “justify” real *systemic neglect of individual freedom and justice*. This neglect of the principles of a libertarian society seems to be the main problem with “real socialist societies”, not adherence to the “principle of equality”. However, by treating equally those who were, in reality, unequal (in terms of their talents, abilities, contributions, and even the austerity of their consumption), such societies were faced with another form of inequality and injustice which lead to discontent, hidden anti-system behavior and overall systemic inefficiency.

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42 Equality of payment in a radical sense was not part of ideological credo in former Yugoslavia. The principle of “remuneration according to work” was advocated with the expectation that, due to this principle, real differences in personal incomes would not be excessive. Critical public observations about non-socialist differences in personal incomes were addressed primarily at the level of *differences in incomes of individuals in comparable jobs in different branches*. An analysis of the controversy about variation in personal income in former Yugoslavia is presented in E. Berkovic (1986), and M. Korosic (1983).

Actual “post-socialist societies” put an end to the domination of the principle of equality which was considered a distinctive feature of a *proper* socialist society, and one of the crucial reasons for the inefficiency of that system. But general *neglect* of the principle of *equality* should not be considered the distinctive feature of contemporary *modern societies* whose *exclusively* respected value is *individual freedom*, as advocated by supporters of the “liberal constitution” of modern societies. Such a society, exclusively based on “liberal principles”, would not be perceived, at least by the majority of its citizens, as a *just society*.

One can conclude from historical experience<sup>43</sup> that societies characterized by *profound inequality* were *poorly integrated societies*. Such societies frequently faced harsh and *destructive social conflict*, widespread *social discontent*, and high level of criminalization<sup>44</sup>, cultural alienation, and a massive *exodus* of citizens, both in the form of emigration and also in the form of the internal exclusion of citizens from the most institutionally designed social roles. In the long run, society burdened by intensive social conflict and poor social integration suffers from inefficient exploitation of its economic and social potential<sup>45</sup>.

The recent, enduring economic and overall social problems of most developed societies which are characterized by an increase in inequality and social disintegration is a warning of the limitations of overstressing the “liberal” constitution of society, and suggests the need to reassess the *developmental role of the principle of equality* in contemporary societies. This warning should also be pertinent for the creators of the “new reforms” in present-day Serbia.

## ***PUBLIC POLICIES AND ECONOMIC PROBLEMS IN PRESENT-DAY SERBIA***

The new post-socialist (“transitional”) developmental strategy, and, also, the recent “new (“radical”, “painful”) reforms” in Serbia stem from the formerly described explanations of the causes of the former unsuccessful developments in Serbia. Since the main *culprits* of those wrongdoings during the “years of socialism”, allegedly, were “supporters of socialism”, “self-managers”, and ordinary *workers*, during this present course of the “healing” of the Serbian

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43 Some of these experiences have been described in studies such as that by J. A. Tainter (1988) who writes about the collapse of complex societies.

44 Such descriptions of the weaknesses of contemporary developed societies are given in J. Rifkin (1995) and M. Castels (2002).

45 N. Luhman suggested that the key issue for contemporary societies is not greater efficiency but a sufficient level of social integration (cit. V. Rus, 1995:13)



economy and society it will be *necessary* and *just* to *reduce most of the benefits* (including the wages and salaries) of all employed persons, especially those employed in the public sector, to reduce the *social support* that is provided by the state to all citizens, to *increase the work-related obligations* of all employees and to *expand the rights of those in the position of employer*, both of *private owners* of the means of production and those in the control of state property. *Market forces* (conceived of as a “hidden hand”, and primarily “understood” by those who are *owners* of the means of production) should play the *crucial and decisive role* in practical decisions about the scope of the reduction of former workers’ and citizens’ rights. A “temporary” worsening of the quality of life of “working people” should be viewed as an unavoidable path to a better future for all citizens.

Subjugation to variable “market conditions” means, for employees, the acceptance of *flexible job agreements*, and for owners, greater *rights* of decision-making and relaxed obligations toward employees. Even if the advocates of the “new work rules” still respect other means of motivating employees to perform their jobs in a productive, efficient, and committed way, under the new, “non-socialist rules of work”, *the risk of being fired* should become *the most effective form of “motivating”* employees to fulfill their jobs in accordance *with interests of their employers*.

The “internalization” of this *new “work ethic”* (readiness to work hard for an income determined solely by the owner of the firm, unquestionable loyalty to the firm, extended working hours) as advocated by the actual power-holders in Serbia, and also, considered as crucial by private owners and their “professional counselors”, is considered a “condition sine qua non” for the avoidance of the envisioned *collapse* of the Serbian economy and, consequently, of the decay of Serbia as normal modern state and society. This *new “social contract”* should, by expectation, provide the *motivation for owners of capital* (foreign and domestic) to *abundantly invest* their capital in Serbia, to create, in the long run, new employment and incomes for “working people” in Serbia and to enhance the sound development and inclusion of Serbian society in the prosperous part of the modern world.

The “building” of this new post-socialist, “*pro-capitalist*” *socio-economic order* in Serbia has been underway since the beginning of the 1990s. Many concrete measures have been introduced to safeguard the *societal domination* of the *new owner class*. But, according to the proclamations of the present government of Serbia, the measures introduced by previous governments were insufficient and inefficient at meeting the needs of the owners of capital (foreign and domestic) and encouraging them to *invest more regularly and abundantly* in businesses in Serbia. Thanks to allegedly sincere *devotion towards the radical*

*reforms* of the present government of Serbia, and thanks to the popular support for such “painful reforms” expressed by those who cast their “ballots” in the 2014 general elections for the *Serbian progressive party*, present power-holders in Serbia recognize that the *real “transition” is yet to come* in Serbia over the next several years. It looks, according to media reports, that such “new painful reforms” in Serbia are being welcomed by the present power-holders in most of the international centers of power.

The years to come will, ultimately, bring confirmation of the suitability of this new Serbian path and put an end to the long-lasting socio-economic crisis in this country. Still, one should not forget that the *long-lasting socio-economic crisis and its present manifestation stems from the cumulative effects of former public policies* designed by numerous domestic and external social actors. Overcoming such a deep socio-economic crisis by introducing effective “new reforms” is not possible in a short time period. It is thus indispensable to reassess properly in this paper the *complex causes* of the former poor state of development and specific political constellations that have contributed to these inappropriate public policies.

The actual power-holders in Serbia suggest, in their proclamations, that those who must be considered the immediate *culprits* for the recent near-to-collapse situation in Serbia are “*former politicians*” who took power in Serbia after the dethronement of Milosevic and his regime in the fall of the year 2000.

The actual power-holders in Serbia tend to overlook *their own role* in the former destructive developments in Serbia, especially those of the 1990s when many of the *actual* Serbian politicians, including A. Vucic, contributed greatly to the participation of Serbia and Serbs in the “Yugoslav wars”, and supported the politics of S. Milosevic and served in Serbian governments during the 1990s.

It is important to stress that the actual power-holders in Serbia are not seriously facing up to the damaging consequences of the *type of authoritarian, non-democratic, voluntaristic polity* that was dominant during the “years of socialism”, but which was also present during the “years of post-socialism”, including the most recent ones.

One must admit that *voluntarism* (unrestricted action determined by the *will* of a given political actor) is, to a certain degree, an inherent feature of politics when defined as an activity aimed at directing societal development. This voluntarism becomes greater when the power of politicians increases, and becomes less controllable by those who possess the rights of the sovereign (the “demos”). In spite of all the institutions established in modern societies to control the power of politicians, those who are in key governmental positions, especially those who perform *executive functions*, continue to be the most powerful social groups in every society. They tend to treat their great power as their *personal quality*, and

to transform the power of the state into their personal power, often used for the safeguarding of their personal interests and other particular interests those power-holders consider important. If this is indeed the case, then it is unjust to blame “working people” and ordinary citizens who had almost no effective influence on the articulation and implementation of state measures for *inappropriate public policies* and the destructive outcomes of such policies.

The disturbing economic and overall social situation in Serbia in the past and in the present should be attributed, at least in part, to *general political decisions* and the *desire for an important position for the Serbian state and society in “world relations”* during the “years of socialism” and also the “years of post-socialism”. Namely, because of the *political* assessments of the *external threats* to “socialist Yugoslavia” during the “cold war” years, and, nowadays, threats by some “great powers” to “Serbian national interests” since the 1990s, exceptional importance has been given to maintaining the *strength of the state security system*, consisting of the comparatively numerous<sup>46</sup> and modern army, complemented by the organized “units of armed citizens” for the general “people’s defense”, by the numerous and strong regular police forces supplemented by large reserve police forces, and by special security forces, with many undercover agents who are provided with the necessary means (financial and other) to act both within and outside Serbia.

Individuals who are part of this *enlarged state security system* have enjoyed various legal and extra-legal benefits such as salaries paid in foreign currencies while abroad, in addition to their regular payments in the home country, additional payments for being separated from their families, provisions for early retirement, and other financial and non-financial benefits. Without further explanation, it may be justly claimed that such a state security and *defense public policy* contributed greatly to the comparatively *costly state* in Yugoslavia, and present-day Serbia.

In relation to these increased costs of state which stem from the *political visions of “state interests”*, one should mention the enormous costs of Serbian involvement in the “Yugoslav wars” of the 1990s, politically “justified” by the need to defend, “by all disposable means”, Serbian *national interests*. It is unjust to attribute these high costs for the involvement in wars aimed at defending “national interests” to the shortcomings of the previous Yugoslav “socialist system”. Still, present citizens of Serbia should be considered at least in part responsible for the costs of the involvement of Serbia in the “Yugoslav wars” due to the *legitimacy* they provided for state policies and the politicians who designed and implemented these “war policies”.

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46 There are no *official* data about the numbers of individuals in the former Yugoslav Army, but it was often claimed that it was one of the most populous armies in Europe.

There are also other public policies which were implemented during the past decades in Yugoslavia and Serbia that have had long-term detrimental economic impacts and other consequences. These should not be overlooked when answering the following question: Why is Serbia currently facing collapse and long-lasting social crisis? Again, in the articulation and implementation of these public policies, politicians, not ordinary citizens, played the crucial role.

It is evident that both the former Yugoslavia and current Serbia are *small states* in terms of world relations. Still, the ambitions of the leaders of these small states have been great, with the expectation that they could considerably influence international relations. One could assume that this perception of the state's "greatness", partly supported by the preconditioned beliefs of "ordinary" citizens, contributed to the establishment of the *highly developed diplomatic missions* of Yugoslavia and present-day Serbia in almost every country in the world. The financing of these numerous missions abroad must have been a great burden on the state budget. To this one must add the expenses of the extra-diplomatic activities of state organs and business associations, and of financial support for international associations and organizations in which Yugoslavia has been a founder and/or member (such as the institutions and conferences of the "non-alignment movement"). The financial implications of the *state policies of making a small country an influential country* in world developments must have been as burdensome on the state budget as budgetary transfers to collapsing "political factories".

Particular attention should be paid to the *policies for supporting the maintenance of peaceful and good interethnic relations* in the former *multiethnic* Yugoslavia and, to some degree, in present-day Serbia. One of the consequences of these policies was the building of some important businesses (factories and likewise) in each of the constituent parts of Yugoslavia, in every region, even every local community. Such often *underutilized business capacity* became economically inefficient, but this inefficiency was often attributed to the "self-managed" mode of functioning.

In an attempt to "build a socialist society" (a society different to capitalist societies); a society not divided by conflicting interests; a society of long-lasting "social peace", politicians in former Yugoslavia articulated *public policies aimed at supporting "peaceful" social situations* in the country. In the years 1970-1980 when political elites could not ignore the evidently increasing inequality in the standard of living between those elites and the majority of ordinary citizens<sup>47</sup>, to prevent potentially unavoidable protests by the masses state banks were specifically given tasks such as providing loans with low fixed interest rates

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47 President Tito made a very direct critique of the tendency towards increases in the differences in the living standards of the political elite and the working people in a speech in Split, 1971.

to individuals with low monthly incomes. Because of this, a great numbers of ordinary citizens could buy cars and new “durable goods” for their homes, and could even start to build weekend homes outside cities.

The state had to provide significant funding to increase the production of this “status consumption” by the masses of ordinary citizens. As these investments could not be provided for by increasing sources of domestic investment, it was necessary to take credit from international agencies, using their terms, with interest rates denominated in foreign currencies which disaccorded with the fixed dinar interest rates that banks were charging their debtors. This imbalance between the state’s obligations toward foreign creditors and the payments of internal debtors resulted in the *inflationary financing* of the state’s internal and external obligations. By nominally increasing personal incomes and fixing the nominal annuity paid in dinars to internal creditors by citizens, the feeling of a real improvement in the standard of living of great number of ordinary workers was created, which also led to a feeling that inequality in society was decreasing.

The long-term effect of such a “*policy of equalization in the standard of living*” in society, the maintenance of a high level of consumption of the political elite and the creation of “social peace” due to the virtual improvements in the living standards of the masses must have contributed to the increase in state foreign debt, unbalanced state budget, decreased the overall efficiency of the economy, and deepened overall social crisis<sup>48</sup>. The 1970-1980s in Yugoslavia were years in which there was a rapid increase in debt to foreign states, accelerated inflation, a lack of employment opportunities for new generations, increased social tension and a lessening of the legitimacy of the existing political system and the forces leading that system.

Even if these assessments of the economic consequences of previous *public policies* in former Yugoslavia, still broadly practiced in current Serbia, are undisputable, the actual power-holders in Serbia are “sweeping under the carpet” all the *findings about the socio-political causes of the long-lasting socio-economic crisis* in this country and slandering citizens, especially those who work, by claiming that that Serbia came near to collapse because many of those in the “working class” were not doing their jobs properly, and were paid more than they earned and deserved. The “new painful reforms”, which primarily involve reducing the payments of those working in the public sector and reducing the pensions of those receiving pensions from public funds, “should” be considered the most efficient and proper response to the long-lasting crisis in Serbia.

For the majority of citizens in Serbia, the “working people” in particular, the coming years may be quite gloomy. According to the main efforts of the

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48 A detailed analysis of this policy was provided in Bolcic (1989:166-169).

present government in the “healing” of the Serbian economy and society, a “better future” may eventually come *if* foreign investors take advantage of the promising “new environment” for profitable business in Serbia. During the past two years of these “new reforms” the inflow of foreign investment into Serbia has been less than expected, in spite of the abundant financial subventions provided from government funds to foreign investors and other incentives for starting new businesses in Serbia. Among the reasons for this behavior of foreign investors one may note the still-widespread *socio-political instability* in Serbia, primarily due to the unresolved “Kosovo situation”, but also of the relatively *lean profits* which may be extracted from investments in Serbia. The *internal market* in Serbia, due to the decrease in the *consumption power* of the Serbian population (which has further decreased due to recent austerity measures) is also discouraging foreign investors from starting businesses in Serbia.

## CONCLUDING REMARKS

Is there a *less gloomy future* for Serbian citizens in the years to come in terms of a resolution to this long-lasting crisis, and under the given internal and external conditions in a world that is faced with problems which are not easy to solve? The answer is positive, under the assumption that both power-holders and “ordinary citizens”, with the necessary sincerity, consider the *essential causes* of the long-lasting socio-economic crisis, and *reassess inappropriate public policies* (both those from the “years of socialism” and those from the “years of post-socialism”), including the “new radical reforms” advocated by the present government in Serbia.

To prevent possible “state collapse” *austerity measures may not be considered sufficient*. There is an *urgent need for comprehensive action by all social actors to revitalize and increase the production of “marketable values”*<sup>49</sup>. This production of real values will increase the incomes of most citizens and, therefore, increase the budgetary means of the state.

The crucial prerequisite for such an *increase in the production of marketable values* will be the *appropriate social arrangements for activating and efficiently using all disposable resources* (material and human, those “small” and “big”, local, national and international).

To secure such an efficient social arrangement it is of utmost importance to establish *regulated ownership conditions*, a clearly defined legal status

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49 A more detailed description of the measures which can lead to the *reconstitution* of present-day Serbian society is given in S. Bolcic (2013:275-290)

for all means of production<sup>50</sup>, clear procedures for transferring ownership rights, and legal regulation for other features of ownership relations between various social actors. It is important to underline that the regulation of ownership relations is a *specific “transitional” problem* in Serbia due to previously largely “dismantled” ownership regulation during decades of socialism and self-management, characterized by the peculiar *mode of “social ownership”*. The prevailing *concept of the privatization* of former “state” property applied in other former “socialist countries” did not lead to the same real transformative changes in Serbia (and other former republics of Yugoslavia) as in these countries. Unfortunately, the peculiarity of the largely “dismantled” ownership relations in former Yugoslavia (and Serbia) has not been recognized by external and domestic “advisers” concerning the “transition” in Serbia<sup>51</sup>.

Since the 1990s several *state acts* have been passed to regulate the “ownership transformations” of former “self-managed organizations” and of ownership transformations of legally defined “public enterprises”, also including some enterprises considered *state* property. These state acts were incomplete from the point of view of securing a comprehensive rearrangement of ownership relations. The consequences of this incomplete rearrangement of ownership in Serbia are numerous: the unfinished privatization of former “self-managed” and “socially owned” firms; difficulties with the privatization of “public” and “state” firms; the frequent unsuccessful reactivation of nominally privatized firms; the undefined ownership status of numerous assets (land, objects, equipment, accounts, etc.); and the accentuated role of state institutions (primarily executive organs) in the ownership transformation of individual enterprises, and also in creating the conditions (management, finances) for the functioning of enterprises which have been for years in the unregulated “process” of ownership transformation. It is unquestionable that many of the aforementioned problems might have been avoided or more efficiently resolved if there had been, on the eve of the post-socialist transformation, a well-designed and comprehensive ownership law. This state act is still lacking in present-day Serbia. The prolonged duration of the destructive socio-economic crisis in Serbia is caused by many factors, greatly unregulated ownership relations is one of the most relevant.

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50 Many methods of doing this are used by public firms for which there is no clear ownership structure.

51 A detailed presentation of the peculiarities of ownership relations in the former Yugoslavia and of the consequences of these ownership arrangements for the *arduous transition* in Serbia is given in S. Bolcic (2013:96-111).

The final message of this paper to those studying the tendencies of the socio-economic distress of the societies which have been described is to pay greater attention to the real social role of different social actors, especially those who play a crucial role in designing specific public policies.

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