

Yugoslavia's new government puts its faith in logic of the market

By Kenneth Zapp and Magda Paleczny-Zapp

LATE LAST MONTH, YUGOSLAV VICE PRIME Minister Zivko Pregl came to the U.S. to seek investors in his country's economy. Investment opportunities have improved, he announced. Social ownership and workers self-management will no longer be required. Wage and price controls will be lifted in July. The dinar, having been tied to the German mark at 7 to 1, has become the first convertible currency in Eastern Europe. And inflation, which had been 2,400 percent last year, fell to 8.4 percent in February. In addition, the Yugoslav method of calculating profit has been changed to conform to Western practice. In the past wages were paid from net profits and were not considered costs of production. Now regular wages are considered an expense, and only bonuses are distributed from profits.

But unfortunately for Pregl, American executives were so concerned about the ethnic tensions that seemed to be tearing his country apart that they may have missed his central message. Yugoslav workers, Pregl wanted to make clear, are now encouraged to sell the enterprises they manage, ending his country's 40-year experience with its unique form of industrial democracy.

New economic system: In yet another variation of socialism, a new Yugoslav law has created four different forms of business ownership, each of which is supposed to play a major role in the economy. The new system follows the conclusion that social ownership no longer serves the nation's needs. Pregl explains that the Yugoslav form of social ownership had degenerated into "non-ownership" because it led to blurred accountability and responsibility. The new law attempts to avoid this problem by allowing private, foreign, cooperative and state ownership, each with clearly designated authority.

Under this new plan, the government will own services like communication, trans-

portation, media, utilities, health care and armaments, while other enterprises will determine their own ownership structures. In cases of private or foreign ownership, local workers councils must approve the sale of production facilities and will be able to participate in ownership.

Why would workers choose to sell shares in enterprises they now manage? Because, Pregl says, some firms are facing bankruptcy and need infusions of capital that can be obtained only in this way. Working for foreigners, he says, is better than being unemployed, especially in a nation with a 14 percent unemployment rate.

To encourage workers to sell their enterprises, and also to build up capital reserves, the new law provides that workers who sell their enterprises and deposit the proceeds

social ownership, land and natural resources associated with an enterprise were not assigned value, and as a result balance sheets commonly understate the value of an enterprise.

Whither self-management?: Under Tito's leadership, Yugoslavia developed its own system of industrial democracy, called self-management. In its early years it produced the world's third-fastest economic growth. With people having a sense of dignity at work, the country industrialized peacefully in one generation. But since 1980, Yugoslavia has suffered intolerable decline. Real incomes fell 50 percent, while party officials used self-management as a slogan to hide their own blunders and political interference.

Self-management is not to blame. Rather,

tion and compete effectively in international markets. Its \$16 billion foreign debt is manageable, according to Assistant Finance Minister Boris Skapin, because of accumulated foreign-currency reserves of \$7 billion and because recent changes in foreign-currency accounts have begun to attract back some of the estimated \$10 billion that Yugoslavs have stored in foreign banks.

Even so, the government wants to reschedule its debt and borrow more in order to provide capital for more rapid growth. But as a condition of new loans, the International Monetary Fund (IMF) and the World Bank insist on more privatization of industry, the development of labor and capital markets and a reduction in social services.

For internal political reasons, Pregl and Skapin see something good in this external pressure. They say it will help the federal government—headed by Ante Markovic, a Croat—in its battles with the more conservative Serbs, who constitute 40 percent of Yugoslavia's population. Since 1988, Serbian President Slobodan Milosevic has destabilized the delicate balance of Yugoslavia's federation by fanning Serbian nationalist sentiments. As a result of his agitation, Kosovo, with a 90 percent Albanian population, and Vojvodina have been reincorporated into greater Serbia. This has incited a rebellion by the Albanians and panic among other nationalities, especially the Slovenes.

Fearing Serbian intentions, Slovenes and Croats are now balking at attempts to strengthen the role of the central state's plans for greater macroregulation. And this problem will probably get worse because of the April multiparty elections in Slovenia and Croatia, in which competing parties vie over which will best defend local interests against Serbian threats.

Tito legitimized the Yugoslav Communist party through liberation struggles during World War II and the development of a third path: self-management. But his normative system has proven incapable of adjusting to changed political and economic conditions. The country's future now rests with leaders who prefer the logic of the market. For them, self-management is a luxury that not everyone can afford.

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in regional development funds would receive back stock in their companies equal in value to six months wages.

Even so, not all workers councils will decide to sell their enterprises, Pregl says. If such an enterprise is now profitable, the workers would probably prefer to convert it into a cooperative with ownership clearly vested in them. Unprofitable businesses, on the other hand, will be sold—or even given—to foreign owners.

One problem with this process may be appraising the value of the enterprises to be sold. To protect the country from fire-sale grabs by current managers or foreign capitalists, the law provides that a company cannot be sold for less than the book value of its assets. But under the old system of

the decline is a result of the move away from market pricing in the mid-'70s, negative interest rates for credit and the subsequent explosion of the money supply—as well as an absence of macromanagement at the federal level. Pregl believes that employee management should conform to the specific needs of each enterprise, and therefore differ from region to region. With the demise of the federal Yugoslav party and the rise of national parties in the constituent republics, the future role of employees in enterprise decision making is unclear.

Reason for optimism: For a quarter of a century, Yugoslavia—alone in Eastern Europe—has used market competition to allocate goods and services. The country's industries already have a consumer orienta-

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OBITUARY

By James Livingston

WILLIAM APPLEMAN WILLIAMS, ONE OF THE great historians of this century and one of the most influential socialist scholars of our time, died of cancer on March 5 at age 68.

Twenty years ago, when I was still an undergraduate, one of my teachers—who happened to be a Williams student from the University of Wisconsin—called him the intellectual godfather of the New Left in the U.S. At the time I thought it was an incomprehensible and probably an indefensible thing to say. Now I say the same thing in my undergraduate classes. Let me try to explain why and by doing so pay homage to Williams and his ways of learning.

He was born and raised in Iowa, where he learned the hard way about life down on the farm. In 1941, Williams went to the Naval Academy; he was commissioned in 1944 and served with distinction in the Pacific Theater. After the war he was stationed in Corpus Christi, Texas, where he was able to observe (and participate in) the hesitant beginnings of the civil-rights movement, in the organizing of Afro-Americans against the legacies of Jim Crow. In 1948 he left the Navy and enrolled in the history graduate program at Wisconsin. As a student of Fred Harvey Harrington, he wrote a dissertation on U.S.-Russian diplomatic relations from the late 18th to the mid 20th century, which in 1952 became his first book.

The imperialism of idealism: With his third book, *The Tragedy of American Diplomacy* (1959), Williams came of age as a historian and a critic of modern imperialism. The book is an extended meditation on and reply to George Kennan's *American Diplomacy* (1950). In this quaintly "realist" tract, Kennan—the principal theorist of post-war "containment"—argued that the moralism of modern American foreign policy continually projected the U.S. into irrational and impossible crusades because it could not acknowledge the contours of international power relations. He illustrated the argument by explaining the open-door policy, to which the U.S. has been committed since 1899, as the product of high spirits and sloppy thinking in the State Department, where the limits imposed by the ongoing imperial scramble in China apparently went unnoticed.

Williams therefore focused *Tragedy* on the making and unmaking of the open-door policy. He showed that it was the practical application of a rigorous theory worked out in the context of late 19th century social crisis—a theory of anti-colonial imperialism through which the U.S. policy makers thought they could prevent war between the great powers and preclude mass insurrections in the backward areas of the world (areas that included the American South and West). So conceived, the open door had three aims: (1) to dismantle the exclusive spheres of influence into which the advanced capitalist nations were already dividing the globe; (2) to promote, accordingly, the free international flow of goods and capital, thus increasing the volume of world income and modulating conflict between nations over their respective shares of world income (if the whole thing gets bigger, you don't need to make your slice bigger at the expense of mine); (3) to allow development ("modernization") in pre-capitalist nations or cultures, thus guaranteeing both progress and

Farewell to intellectual godfather William Appleman Williams

stable international relations through the creation of bourgeois social strata and interests where there were none.

The key to the realization of these aims, according to Williams, was the globalization of the American political economy, the capacity of which had already superseded the limits of domestic demand. In this sense, anti-colonial imperialism offered solutions to both the existing impasse of international relations and the domestic social crisis signified by the populist revolt and violent class conflict in the industrial sector. So the American empire was no accident. The open-door world was quite deliberately chosen, and it worked as well as could be expected in the absence of a hegemonic world power on the order of Great Britain in the 19th century. But as Charles Beard had insisted, it was at bottom a way of exporting the social question. Like Beard, Williams was digging in the documents for an open door at home—he was trying then and thereafter to show us that the most crippling effects of empire could be found here, in the U.S., and that to transcend American imperialism was therefore to transcend American capitalism.

His procedure in this respect was to demonstrate that the open-door policy had hardened into a brittle ideology by the 1940s. The great fear induced by the Great Depression, Williams claimed, led policy makers to identify American power and interests with an anti-communist crusade on a global scale—that is, with an open door, anti-statist world economy enforced by military Keynesianism, in which the Soviet Union necessarily functioned as the crucial constraint on peaceful decolonization and global development under U.S. auspices.

Social theory and historical method: By taking issue with the premises and postulates of the Cold War, Williams opened up lines of critical inquiry that would extend into the bimonthly *Studies on the Left*, the most significant journal of the New Left, and into the political education and analysis of Students for a Democratic Society (e.g., its Port Huron Statement of 1962, as well as "America and the New Era" of 1963). Of course Williams had also opened himself to intemperate attacks from the hallowed halls of Harvard, where academics like Arthur Schlesinger Jr., Henry Kissinger and Samuel P. Huntington were preparing for positions on the parapets of the imperial citadel. But then Williams never had much use for the servants of power. He offended them even more deeply with his next three books: *The Contours of American History* (1961), a huge survey that offered, among other things, a new periodization of capitalism in the U.S.; *The United States, Cuba and Castro* (1962), an essay on the class determinants of revolution in the Third World and of counter-insurgent policy in North America; and *The Great Evasion* (1964), a call to incorporate Marx into our thinking about American history and a practical demonstration of how that could be accomplished (which not incidentally examined the redefinition of work made possible by industrial cybernation).

What distinguishes these books, aside

from their extraordinary scope, is a unique combination of social theory and historical method—unique because within the familiar pantheon of New Left precursors, only Williams was able to synthesize these two modes of thought (or "ways of learning," as he would have it). Herbert Marcuse, C. Wright Mills, Norman O. Brown, Hannah Arendt and Sheldon Wolin never applied their grand theories to the empirical details and broad design of American history as Williams did, especially in *Contours*. And so they finally found only cause for debunking and despair in the historical experience of the American people. Instead, Williams found a usable past, which functioned, in his view, as both constraint on and condition of a political passage beyond what he called the age of corporation capitalism.

In *Contours*, for example, he used Wilhelm Dilthey's notion of *Weltanschauung* to periodize American history according to changes in the relation between civil society, state power and cultural-ideological imperatives. By this account, there were three phases in the emergence of capitalism in the New World: the age of mercantilism (1763-1828), the age of laissez-faire (1824-96) and the age of corporation capitalism (1882 to the present). Each phase enabled a *Weltanschauung*, or worldview, that was consistent with the perceived capacities and requirements of American growth and development, but each phase also produced evidence that made its characteristic worldview incoherent or inadequate to the task of imagining the conditions of future development.

Williams wanted to show how honorable and intelligent men and women had managed American development through their commitment to the complex social-cultural system we call capitalism. He was therefore denounced by the liberals for being an economic determinist and criticized by certain sectors of the left for being an idealist or an elitist. He was none of these. Like Antonio Gramsci, he was trying to show us what it would take to imagine, and to assume collective responsibility for, a future in which development would have to be managed according to democratic—i.e., socialist—principles and procedures. In other words, he was trying to show us how much we had to learn from those bourgeois citizens out of our own past who had been able to imagine and create a passage beyond their status quo because they had been able to see the unknown yet evident possibilities of a very different future in the historically developed capacities of the American polity. According to Williams, then, socialism resided in and flowed from the experience of Americans past and present.

History and politics: It took him seven years to produce another book. Most of his time in the early '60s was taken up with graduate students or politics (he was eventually exhausted by both and returned to undergraduate teaching at Oregon State University in 1968). The new book, *The Roots of the Modern American Empire* (1969), got better press than anything else he had written, largely, I think, because it

allowed reviewers to say, gee, the farmers were just as bad as the robber barons in promoting overseas markets for surplus American capacity, and thus just as responsible for the American empire. For Williams claimed that in the 1890s the new imperialists had appropriated the arguments of agricultural entrepreneurs who, throughout the 19th century, were seeking to reconstitute effective demand for their products, first by continental expansion, then by access to foreign markets. The reviewers missed the point. What Williams was trying to demonstrate is that a culture animated by possessive individualism will inevitably produce imperial ambitions and atrocities, whether that culture is dominated by farmers or by corporate capitalists.

In the '70s Williams' influence was at its height, even though he retreated into increasingly idiosyncratic variations on the themes of his previous books, (e.g., *America Confronts a Revolutionary World* [1976]). Those themes had now been assimilated by the historical profession—or at least by the diplomatic historians, who, according

Williams believed that the possibility of socialism resided in and flowed from the experience of Americans past and present.

to surveys by friends and foes alike, favored *Tragedy* over any other text in their undergraduate courses. But the diplomatic historians were, meanwhile, fighting a rear-guard action against the new social historians, who were simply uninterested in the deeds and designs of powerful white men. By the time Williams was elected president of the Organization of American Historians in 1980, therefore, his influence in the profession was already waning. Ten years later, he is all but forgotten outside the narrow confines of diplomatic history.

But not altogether. Last semester a colleague of mine used the new Norton edition of *Contours* in a graduate curriculum. When I asked him why, he said, to my surprise, "These kids need some history on a grand scale—and they can learn from the man's politics." So can we. For Williams taught us at least two indispensable lessons. First, there are no more new frontiers through which we can export the social question. The empire's externalization of evil does not even postpone the day of reckoning, because its domestic effects—the erection of the presidential state, the erosion of democratic procedure, the evisceration of education and the eclipse of citizenship—are also the enabling conditions of imperialist adventure. Second, if we treat socialism as an ethical tradition that has little or no relation to the lived experience of Americans past or present, then we have misunderstood either the meaning of socialism or the meaning of American history. In this sense, what we can learn from the politics of William Appleman Williams is precisely what we can learn from the politics of Eugene Victor Debs.

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