

The mismanagement of the Yugoslav rural economy, 1945-1990.

When the Partisans took power in Yugoslavia, it was a predominantly agrarian country. In 1939, farming had generated 46 percent of the national income, and in 1948, it still engaged 72.7 percent of the economically active population.¹ Most regions suffered from agrarian overpopulation because of the slow and belated development of modern industry before the War. Industrialisation was by consensus the only remedy for this, but policy towards agriculture was critical to the country's future development path. A mistake commonly made in the early post-war years was the belief that overpopulation signified zero marginal labour product in agriculture rather than a generally low average product, and that, accordingly the farming sector could be neglected and treated as a labour sink from which resources could be drawn without sacrificing agricultural production. It could not - particularly during the post-war years in which food was in short supply, raising the true marginal product of agriculture relative to that of other sectors of the economy. This mistake was never rectified, though over time, peasant policy softened from extortion to indifference. The new regime muddled through: it knew that industrialisation required the support of a substantial farming sector which could deliver a rising quantity of food and raw materials, but it rejected the market mechanism as a means for procuring it. On the contrary, it obsessed itself with the concern to suppress rural capitalism. Constrained in its policies by this ideological baggage, it found a solution of sorts - the co-existence of a highly capitalised state farming sector alongside a far larger but crippled peasant economy, which lacked the resources to contribute proportionately to the process of development. It had not intended things to work out this way, and the outcomes of agrarian policy were to distort the development process, and to contribute to the erosion of the Yugoslav economic system.

Land reform in 1945 was carried out mainly for political rather than economic reasons, and it retarded economic development. The reform reduced private holdings to a maximum of 35 hectares. Except in the fertile Vojvodina, nearly all the land had been fragmented into peasant farms, so the reform yielded a modest land fund of 930,000 hectares out of a total area of 14 million. This was supplemented by 640,000 hectares of land which was seized from 97,000 Volksdeutsch farmers, who fled or were expelled. Their mainly small farms had been concentrated in the Vojvodina, and had been regarded as the best and most intensive farms in the country.² As so much of the land fund was in small fragments, the state only retained 769,000 hectares as the basis of a socialised agrarian sector, and half of this was non-agricultural land.³ The rest, including many of the former German farms, was distributed to the landless and to homesteaders. Most of the latter were Serb peasants from the primitive Dinaric uplands, who were sent there to change the ethnic balance in northern Vojvodina.

¹ Jugoslavija 1918-1988, Statistički Godišnjak. (Belgrade, 1989) pp. 39, 95.

² Source query; Joseph T Bombelles, Economic Development of Communist Yugoslavia. (Stanford, Calif., 1968) pp. 21-22.

³ Jugoslavija 1918-1988, p. 205; Jozo Tomasevich, "Collectivization of agriculture in Yugoslavia", in Collectivization of Agriculture in Eastern Europe, ed. Irwin T Sanders, University of Kentucky Press, 1958, pp. 168-9.

Few of them proved capable of farming it competently, so an important source of market produce was wasted. The land retained by the state was organised mainly as state farms, which were to serve as a source of foodstuffs and raw materials under direct state control.

For the longer run, the regime envisaged collective farming as the appropriate socialised basis for the rural economy, and early efforts were made to establish organisations of this type. Of these the most important were the General Agricultural Co-operatives, which were established particularly in the areas of homesteading by colonists. They were not particularly successful, but they were to become the basis for control over the peasantry. However, the Yugoslav communists were split on the collectivisation issue. The Croatian faction, identified with agriculture minister Andrija Hebrang, regarded collectivisation as a precondition to socialised economic development, and as a vehicle for infusing resources into the rural economy as a precondition for industrial development. This stance harmonised with Soviet objectives, because the Soviets, like the Germans before them, wanted Yugoslavia to serve as a producer for the bloc of agrarian surpluses. Hebrang's stance was formed more through his ties with the peasant movement in Croatia, and his desire not to alienate peasant support. This brought him into conflict with the ascendant group associated with Milovan Djilas, Boris Kidrič, and Moše Pijade, which was resolved on forced industrialisation, which could only be achieved by exerting severe pressure on peasant well being. This faction knew that most peasants dreaded Soviet style collectivisation, and by pressing it on them, the government would run the risk of rural unrest. This was potentially dangerous, because rural society still accepted its traditional leadership, the better established farming families, in Communist speak, the kulaks. By 1947, the forced industrialisation faction had established ascendancy, so, for the short run the peasant farms were left in place, to serve as the main source of provisioning for the non-agricultural population, and as a source of surplus labour for construction projects. In 1948, the private sector produced 91.4 percent of farm output, state farms and co-operatives the rest.⁴ Because of the general shortage of food, peasant produce was subjected to oppressive forced delivery quotas, at fixed prices well below the cost of production.

If Yugoslavia's economic ambitions had been restrained, this agrarian arrangement might have served its needs. But the Five Year Plan was bound to over-strain the agricultural sector and the supply of farm produce. Peasants were permitted to sell produce in excess of their quotas on the free market, but in 1948 there was a shortfall in the availability of exchange goods, so farmers tried to shift towards subsistence, and inflationary excess demand caused farm product prices in the free markets to rise sharply. The larger peasants consequently hired labour on more favourable terms than those offered by the state. This exasperated the regime, which wanted to acquire the kulak surpluses itself.

Peasants were therefore subjected in 1948 to more demanding delivery quotas, which were made steeply progressive, that is to say the amount of produce to be surrendered rose more than proportionately to the area of land cultivated, with a top rate of 85 percent.⁵ Since in a peasant economy, farm output rises less than proportionately to the amount of land cultivated, the imposition of so high a quota probably created tax rates on larger farmers at 100 percent or more of their marginal product. The kulak was earmarked in the longer term for liquidation, but for the time being, the kulak farms were to bear the burden of feeding the population with only a minimal return for their effort. The small peasants were to serve as a

⁴ Edvard Kardelj, Zadaci naše politike na selu. (Zagreb, 1949) p. 8.

⁵ Susan L Woodward, Socialist Unemployment. The Political Economy of Yugoslavia 1945-1990. (Princeton, 1995) p. 122.

source of construction labour. The kulaks were rarely dispossessed because their work and deliveries were too valuable to be foregone. Rather they were enserfed to their farms, and forced to produce large surpluses for little or no reward. Bokovoy represents the non-liquidation of the kulaks as essentially a political choice (fear of rural unrest) but quasi-enserfment was the economic sense of the policy of holding the kulaks in place, rather than liquidating them. To extract the putative kulak surpluses, “forceful administrative measures” were applied, but these measures became counter-productive.⁶ For example, in the fertile Baranja, the livestock purchase plan was higher than the natural increase of the animals, so the peasants were largely stripped of their stock of pigs - and only the smallest peasants were able to keep them.⁷

As part of their campaign against the kulak, the authorities propagated (and themselves believed in) the myth that the kulak and the trader (“capitalistic elements in the village”) controlled the market. This myth probably originated in the food price inflation of the time. They therefore nationalised private retail outlets. In their place, they established a system of “tied prices” for foodstuffs sold to state purchasers above the compulsory delivery quota. In return the seller would receive vouchers entitling him to buy exchange goods on preferential terms.⁸ Because of the progressive compulsory delivery quotas, the smaller peasants obtained a disproportionate share of a decreasing volume of industrial goods supplied through the state (1947: 60% and 1948: 75%)⁹. In practice, these vouchers became the only means of securing exchange goods from state sources, so they became a currency in which farming employers paid their labour.¹⁰ The “system of unfair barter” coupled with the export drive and stockpiling¹¹ created a food shortage and rural unrest.¹² Even the vouchers were not always honoured, for the supply of industrial goods was inadequate,¹³ but this only resulted in more ruthless coercion.¹⁴ The campaign against the kulak was accompanied by a political drive whose purpose it was to convince the smaller peasants that the kulaks were a class enemy - the idea being to isolate them politically.

The regime had reached the limits of what could be done to extract more from farming given the existing arrangements, and began an agricultural collectivisation drive in the autumn of 1949. Collectivisation is usually represented as a belated response to Soviet criticism, but the short term intention behind the collectivisation drive was to secure more raw materials for industry, and more food for the non-agricultural population at minimal cost to the state. Despite the baleful historical record of collectivisation, and the paucity of resources with which to develop collectivised agriculture, the regime believed it could be used to rationalise the use of resources. It was much impressed with reports coming out of the Soviet Union which represented the collective farms as hives of innovative activity. The

⁶ Kardelj, Zadaci, p. 14.

⁷ Branko Horvat, The Yugoslav Economic System. (2nd. ed., White Plains, NY, 1976) p. 120.

⁸ Horvat Yugoslav Economic System, p. 173.

⁹ Kardelj, Zadaci, p. 14.

¹⁰ Woodward, Socialist Unemployment, p. 125.

¹¹ Dragan Veselinov, “Postwar Yugoslav agriculture and the private peasantry”, Wilson Center East european Program, Washington DC, 15-19 March 1989, p. 14.

¹² Woodward, Socialist Unemployment, p. 116-7.

¹³ Horvat, Yugoslav Economic System, p. 174.

¹⁴ Woodward, Socialist Unemployment, p. 123.

collectivisation drive was therefore to be nuanced. “Voluntarism” was emphasised, and the new collective farms should be formed on a basis of productive viability. However, as Bokovoy observes, the subtleties of nuancing and of voluntarism were largely lost upon the aktiv, who conducted a reign of terror in the villages in order to meet their targets.¹⁵

The obvious means of developing large scale socialised farming would have been to put more resources into the state farm sector, and this was done, but the state farms had fallen below expectation. Into them had been concentrated most available bloodstock and 4,900 tractors, leaving only 1,600 in private hands, and these in poor condition.¹⁶ 4,000 of the state sector tractors had been given to Yugoslavia as U.N.R.R.A. aid.¹⁷ In 1948 the state farms produced only 1.9 percent of grain and of meat, 3-5 percent of fats, vegetables and wool. They were no more productive per acre than the woefully undercapitalised peasant farms. They were accused of “building luxuriously”, of “squandering” state land, and were in need of “tight accounting control”,¹⁸ meaning that they were running up big deficits.¹⁹ Collectivised peasants on the other hand could be forced to produce at low prices without subsidies. According to Kardelj, the collective farms sold almost everything to the state, not to the free market. They were “very conscientious about this.” In contracts they signed with the factories under pressure of Party agitators, they accepted much lower prices for their produce than the same factories contracted with individual peasants.²⁰ Often their invoices were left unpaid.²¹ They were also given heavy investment commitments which they were expected to fulfil without external assistance, and only distribute pay after the costs of these investments had been met.²² This was an important element of the collectivisation scheme, for it was intended that collectivisation should release farm labour into investment work, both on farm and off it.²³

The effect of the collectivisation programme was perverse. As in the Soviet Union at the time of the collectivisation, farmers slaughtered their livestock,²⁴ and in 1950 there were outbreaks of armed rebellion.²⁵ The 1950 harvest was disastrous, though this was conveniently blamed on the dry weather. As Table 3.1 below shows, production of the two main cereals in 1950 dropped by 39 percent from its level of 1948-9.

¹⁵ Melissa K Bokovoy, Peasants and Communists: Politics and Ideology in the Yugoslav countryside, 1941-1953. (Pittsburg: U of Pittsburg Press) p. 107.

¹⁶ Kardelj, Zadaci, p. 18.

¹⁷ John R Lampe, Russell O. Prickett and Ljubisa S. Adamovic, Yugoslav-American Economic Relations since World War II, (Durham, NC, 1990) pp. 21-22.

¹⁸ Kardelj, Zadaci, pp. 39-41.

¹⁹ Horvat, Yugoslav Economic System, p. 104.

²⁰ Kardelj Zadaci, pp. 35-6.

²¹ Bokovoy, Peasants and Communists, p. 145.

²² Kardelj, Zadaci, p. 27.

²³ Woodward, Socialist Unemployment, p. 115.

²⁴ Horvat, Yugoslav Economic System, p. 118; Dragan Veselinov, Sumrak seljaštva. (Belgrade, 1987) p. 41.

²⁵ Bokovoy, Peasants and Communists, p. 136.

Table 3.1. Official cereal crop production figures, 1946-1954:

	wheat	maize
	000 tons	
1946	1930	2140
1947	1660	4210
1948	2530	4080
1949	2520	3710
1950	1830	2090
1951	2280	4040
1952	1680	1470
1953	2510	3840
1954	1380	3000

Source:

After the initial collectivisation drive of 1949-50, little effort was made to extend collective agriculture. Even at its height, in 1952, the collective sector embraced only 17 percent of farm properties and 18 percent of the cultivable land area.²⁶ Within the regime there was confusion as to what the purpose of the operation actually was. The disaster of 1950 led to “a certain hesitation” in the collectives the following summer. The pressure on private peasants was eased somewhat by narrowing the compulsory purchase system to grain and wool, and by removing rationing on consumer products. This had the perverse effect of leaving the private peasants better off than those who had been collectivised, especially as the latter were burdened with “enormous management expenses” of the “many idlers, bureaucrats and other alien elements in the collectives”. The consequent unprofitability of the collectives caused a stop to be placed on the registration on new collective farms, except where their economic justification was “proven”.²⁷ The collective experiment did long term damage to agriculture, especially in the Vojvodina. Here, the collectivisers uprooted the long established *salaš* system of mixed farming, which had maintained an ecologically sound balance between crop production and stock raising, in order to expand the area under crops.²⁸ No less damagingly the authorities demanded the displacement of fodder crops by industrial crops without providing artificial fertiliser to replace the loss of animal manure. This led to soil exhaustion.²⁹

The failure of the collectivisation experiment was probably linked to that of the Five Year Plan. The Plan in its original form had provided for agricultural investment, but the Soviet blockade led to a serious shortfall in resources, so the investment programme had to be cut back drastically. Logically, the weight of the cuts should have fallen on the heavy industry investment projects, but perversely it was precisely these which were protected, while agricultural provisions were cut.³⁰ So the Plan, which had been expected to provide the collectives with equipment, failed to do so. Kardelj in 1949 was nevertheless emphasising “the struggle for mechanisation”. Mechanisation was entirely confined to the socialised sector, since the passage of a law in 1948, which effectively prohibited the holding of large

²⁶ Veselinov, *Sumrak seljaštva*, pp. 37, 40.

²⁷ Glavni zadružni savez FNRJ, *Za dalji socijalistički preobražaj sela*. (Beograd 1951) pp. 3, 5, 12.

²⁸ Veselinov, “Postwar Yugoslav agriculture”, p. 16.

²⁹ Horvat, *Yugoslav Economic System*, p. 119.

³⁰ Bokovoy, *Peasants and Communists*, p. 97.

and medium machines on private farms.³¹ Between 1948 and 1950, this equipment was concentrated on Machine Tractor Stations, (M.T.S.'s) whose brief had been to provide mechanised services to the collective sector. As they lacked the skilled labour or the spare parts to keep their machines running, the M.T.S.'s used such equipment as remained serviceable to plough fast and shallow - and very expensively. The collectives tried to use them as little as possible, so in 1950, the M.T.S. machine stock was re-allocated to the collectives.³² This probably did not improve matters.

Overall, there can have been no gains from mechanisation, because at the beginning of 1951, the total tractor stock (6,266 units) was slightly smaller than in 1949,³³ and was probably made up mainly of US aid deliveries. Tractor output did not exceed 1,000 units a year till 1953.³⁴ 2,128 of these tractors were retained by the state farms, and 3,142, presumably the former holdings of the M.T.S.'s, were retained within the collective sector. Farms therefore disposed no more means than hitherto either of shedding labour without production loss, or of raising the volume of its surpluses. They probably disposed less, as the machine stock would have been ageing and deteriorating. The collectives, like all forms of state enterprise, were burdened with very high overhead costs,³⁵ which could not be offset by economies of scale. As a result, "the opinion speedily developed that such collectives had no objective economic basis, and needed to be transformed."³⁶ Kardelj, discussing this issue in 1959, concurred with this view. He argued that in the absence of modern techniques, collective farming was unlikely to be more productive than the private sector. The "degradation" of production also caused the collective farms to be a burden to the state.³⁷

In March 1953, peasants were allowed to leave the collectives, and between 1952 and 1953, the number of collective farm members declined abruptly from 1.5 million to 1,223,000.³⁸ The reasons for abandoning collectivisation are not entirely clear. Bokovoy sheds no new light on the issue, except for continued concern about rural political instability. Lampe also suggests that rural unrest caused by collectivisation in 1950 may have caused the authorities to slow down the drive in 1951, but it was another two years before the policy was scrapped. The renewed harvest failure of 1952 may finally have convinced the authorities that collectivisation was not working.

However, Lampe notes that the inflow of United States food aid "helped the regime to abandon collectivisation", as well it might, since it presented the state with the food supplies that pressure on farm community had signally failed to provide.³⁹ Food aid was subsequently placed on a long term basis, with Yugoslavia receiving United States P.L. 480 deliveries between 1955 and 1964,⁴⁰ as well as other grants and soft loans. This guaranteed a controlled

³¹ Veselinov, *Sumrak seljaštva*, p. 35.

³² Horvat *Yugoslav Economic System*, pp. 105, 120.

³³ *Statistički godišnjak N R Jugoslavije [SGJ]* 1954 p. 138.

³⁴ *SGJ*, 1956, p.149.

³⁵ Veselinov, *Sumrak seljaštva*, p. 37.

³⁶ Veselinov, *Sumrak seljaštva*, p. 37.

³⁷ Vladimir Stipetić, "The development of the peasant economy in socialist Yugoslavia", in *The Functioning of the Yugoslav Economy*, ed. Radmila Stojanović, (New York, 1982) p. 175-6.

³⁸ Tomasevich, "Collectivization", p. 173.

³⁹ John R Lampe, *Yugoslavia as History*, (Cambridge, 1996) pp. 247-8, 254.

⁴⁰ Lampe et al, *Yugoslav-American Economic Relations*, p. 56.

source of food for the towns and factories. PL 480 also enabled Yugoslavia to manage without any clearly defined agrarian policy after de-collectivisation.

After this upheaval, Yugoslavia in 1955 had 2.32 million private peasant holdings, with an average size 4.7 hectares, alongside 52,900 socialised properties of mean size 22 hectares comprising 9.6 percent of the farm area.⁴¹ Of Yugoslavia's active population in 1961, 4.96 million persons or 56.3 percent were engaged in agriculture.⁴² The peasant farms were in poor condition. After the collapse of collectivisation, the authorities lowered the private land maximum to 10 hectares. This garnered 276,000 hectares, which was transferred to the state farms and the remaining collective farms.⁴³ The peasants now had no machinery and very little draft livestock, especially as farmers who had withdrawn from the collectives had had to leave their cattle behind.⁴⁴ At least in the Šumadija, ownership of a horse was regarded as a sign of wealth, and as the stock of oxen had almost disappeared, the sterile cow served as the main ploughing animal.⁴⁵

The sombre prospects for farmers and the inadequacy of their holdings to support their families caused them to act as a reserve army of industrial labour. In rapidly growing numbers they found social sector employment - without leaving their farms. Most farm families needed external income sources to maintain themselves, and this included the social wage which social sector jobs provided, (state health care and pensions and factory meals and social services). Till 1965, health insurance was denied to those without social sector jobs. For all medical services and drugs the peasant had to pay the full price. Pension and invalidity insurance was only extended to peasants in 1979, and even then not in Bosnia or Kosovo.⁴⁶ The former peasants did not want to sacrifice the benefits they derived from farming, however. Wages were also very low in relation to those of the past: My figures indicate that average earnings remained far below 1930s levels throughout the 1950s. As Rudolf Bičanić put it, "the incomes of workers and employees are low not only in absolute, but also in relative terms." A family needed multiple income earners, and it was for that reason that 40 percent of employees lived on peasant holdings.⁴⁷ The holding provided security against job loss, as well as low cost living, and it left a high proportion of its earnings from employment available for non-food, non-fuel outlays, even for discretionary consumption. So land was rarely sold, even if the family who owned it had little or no labour to cultivate it.⁴⁸ The greater part of the farm work would be done by non-employed family members, characteristically, the very young, the old, and the women, who were in most parts of Yugoslavia slower to enter the social sector labour force. The strongest analogy of the position of the peasant-worker family was with the rural cottage industry worker of an earlier period, who combined the two insufficiencies yielded by the land and by industrial labour to achieve a sufficiency in subsistence goods and cash income.

⁴¹ SGJ, 1956, p. 99.

⁴² Jugoslavija 1918-1988, p. 39.

⁴³ Jugoslavija 1918-1988, p. 205.

⁴⁴ Ljubo Sirc, The Yugoslav Economy under Self-management. (London, 1979) p. 14.

⁴⁵ Joel M Halpern, A Serbian village. (New York, 1958) p. 53.

⁴⁶ Leslie Benson, "Class, party and the market in Yugoslavia, 1945-1968", Ph.D. University of Kent, 1973, p. 40-41; Veselinov, Sumrak seljaštva, p. 108.

⁴⁷ Rudolf Bičanić, Economic Policy in Socialist Yugoslavia. (Cambridge, 1973) p. 102.

⁴⁸ Stipetić, "Development of peasant economy", p. 181.

Agricultural prices were suppressed while the price of manufactures was high, and these goods were not easily accessible in the village shops. So the peasant worker would avoid selling produce, and indeed consume food products from the heavily subsidised state sector. The perverse effect of the expansion of the peasant worker class was therefore the retention of a high proportion of peasant output in the subsistence sector, despite the efforts of the regime to maximise the amount of food brought to market.⁴⁹

As shown by Table 3.2, between 1949 and 1960, members of over a million peasant families found permanent employment in the state sector without giving up their farms. As some farming households had more than one member with social sector job, then in 1960 these properties included 1,314,000 workers.⁵⁰ They accounted for 44.2 percent of the permanently employed labour force (of which 98 percent was social sector) and a much higher proportion of industrial workers, since most were low skill manuals. Besides those in regular employment, in 1960, a further 588,000 peasants earned sideline incomes from temporary employment.

Table 3.2

Peasant households with members permanently employed outside the farm.

	holdings with persons employed	% of all holdings
1931	185000	9
1949	500000	19
1955	814000	32
1960	1018000	39
1969	1118000	43
1975	1250000	49

Source: Vladimir Stipetić, “The development of the peasant economy in socialist Yugoslavia”, in The Functioning of the Yugoslav Economy. ed. Radmila Stojanović, (New York, 1982) p. 183.

“The rupture with the traditional village was not a brutal affair as in the classic example of original accumulation of capital in England,” wrote Dragoljub Simonović, “but went in harmony with the growth of socialist social relations founded on humane principles....”⁵¹ But in the 1950s, it was not only the job opportunities presented by forced industrialisation that drew peasants into the social sector labour force, while retaining their links with the farm economy. It was usually stark necessity. In the early years, factory conditions were repellent, and it was only rural poverty which drove the peasants into them.⁵² Even so, many peasants resisted the prospect of industrial work.⁵³ In the early 1950s, many, even among the poorest, would try to avoid working in industry, preferring to seek casual labouring opportunities. So there was a shortfall in the supply of labour. In one extraordinary passage, Cvetko Kostić

⁴⁹ Stane I Krasovec, “Uloga seljaka radnika u ekonomskom razvoju u uvjetima prenaseljenosti”, Ekonomika poljoprivrede, 14 (1966) 1, p. 47.

⁵⁰ Petar Marković, Migracije i promene agrarne strukture. (Zagreb, 1974) p. 53.

⁵¹ Dragoljub C Simonović, Transfer jugoslovenskih seljaka u radnike. Posleratni ruralni eksodus. (Belgrade, 1971) p.111.

⁵² Benson, “Class, party and the market”, p. 15.

⁵³ Kostić, Seljaci, p. 9.

refers to the pollution caused by the factories in formerly rural locations, welcoming it as a means of discouraging agriculture and inducing peasants to enter the factory.⁵⁴

The mushroom growth of the peasant-worker class was the inexorable consequence of a planned industrialisation policy which economised on urban dwelling construction so as to obtain the higher returns to investment yielded by industry. This strategy was adopted in all the Communist controlled countries of eastern Europe.⁵⁵ So little effort was made by the authorities to provide housing for the burgeoning social sector labour force. They inherited a poor urban housing situation from the war, and worsened it in the 1940s and '50s through a minimal rate of urban dwelling construction whose effect was to create worse urban overcrowding than they started with. Urban Yugoslavia had 11.6 square metres of housing per head in 1948 and 10 in 1955, figures which may be placed alongside those of urban Italy in 1953 of 16.7. Private dwelling construction was not permitted in urban areas, and social sector dwellings were awarded as something close to a free good for those lucky enough to secure a key. In 1962, social sector rents were one percent of building costs. These dwellings were not awarded on the basis of need, rather they were the rewards to the new class: - key workers, managers, Communists, army officers, long-service employees, members of housing committees, their clients and relatives, state and local authority administrative personnel, and so on. In the main the peasants in employment were low skilled manuals, engaged characteristically in construction, mining and manufacturing. These workers but lately come to the factory were effectively at the bottom of the priority list for housing, and for most of them, there was little or no prospect of securing a social sector house.⁵⁶

Consequently, the peasant-workers faced some unenviable choices. If they had to dwell in town, because of the sheer distance of their workplace from the remoter villages, they took bed-space in rooms and cellars rented at market price. Sometimes they slept in factory barracks. These workers were weekly commuters, who each Saturday at noon after work went home "for a change of clothing", to attend to work on the farm, and to pick up some food, probably dried pork, to improve their diet at the workplace.⁵⁷

Most tried to avoid this, and to stay at home in the village. This led to an enormous amount of long distance commuting. In 1961, 25.5 percent of the social sector labour force commuted between localities, predominantly from the villages to the larger towns. Commuting distances were generally quite long - of commuters into Belgrade in 1957, 89 percent lived upwards of 20 km. from the city, 20 percent from more than 50 km.⁵⁸

Commuting was long and toilsome, over a road and rail system which had yet to be adapted to the minimal requirements of passenger transport. A study of employment at the Zenica steelworks in central Bosnia showed that rural workers had to leave home at 2 a.m. to walk 4-6 km. to the nearest station, then to catch a 3.10 a.m. train which travelled 34 km. to arrive in Zenica at 5.15. It took a further three quarters of an hour to reach their workplaces, and the total daily commuting time was 8 hours and 20 minutes.⁵⁹ At the Kreka mine near

⁵⁴ Kostić, *Seljaci*, p. 148.

⁵⁵ Gur Ofer, "Economising on Urbanisation in Socialist Countries: Historical Necessity or Socialist Strategy?" in *Internal Migration*, ed. Alan Brown and Egon Neuburger. (1977) p. 278 ff.

⁵⁶ Benson, "Class, party and the market", pp. 229-31; Bette S Denitch, "Social mobility and industrialization in a Yugoslav town", Ph.D University of California, Berkeley, 1969, p. 152.

⁵⁷ Cvetko Kostić, *Seljaci industriski radnici*. (Belgrade, 1955) pp. 167-8.

⁵⁸ Milica Sentić et al., *Migracije stanovništva Jugoslavije*. (Belgrade, 1971) pp. 76-9.

⁵⁹ Muhibija Kreso, *Problematika dnevne migracije u NR BiH*. (Sarajevo, 1961) pp. 133-4.

Tuzla, 3,000 of the workers walked for a daily average of 3 hours, and 1,500 others who commuted by bus and train needed 2-3 hours a day to walk to the bus and railway stations.⁶⁰ A survey of 1957 found that the trains carried their passengers in carriages and closed goods wagons which were equipped with rough benches for seating. They were packed tight, 40 percent standing, with passengers hanging on to the steps. 21 out of 57 of these cars were unlit, with little or no sanitation, nor much evidence that they were ever cleaned.⁶¹ The trains travelled “at twice the speed of walking”. Lorry transport provided by the factories was no better, and ground along over unmade roads. The amount provided was inadequate, and created resentment among those for whom there were no places and had to walk. A study of rural commuting into Zagreb in 1956 showed that of 11,335 commuters, 89 percent travelled more than 15 km., 26 percent 46-60 km. Characteristic was a commuting time of 2 hours on the train and 1.5 hours walking - each way.⁶²

The peasant workers were no strangers to life’s hardships, but they nevertheless regarded the factory commuting regime as severe. In the early years, the very young were not sent by their families into factory work, rather men who had completed military service, and were therefore considered to have been hardened sufficiently to endure the industrial regime. They usually left the factory in their 40s for they found it too hard to endure the commuting.⁶³ Kostić describes the groups of rural commuters leaving the trains for the toilsome walk home from the station over the rough steep country paths. Resting on the way, “they do not talk much, and they do not even mention the mine or factory”, but only lament that more work awaits them at home - digging or pruning. “If only I could go to sleep”, they would sigh. So if asked what would happen to them if they had no factory job, and made their living from farming only, “you usually hear the short answer - we would starve.”⁶⁴ The transition was far more painful than Simonović imagined.

The need of peasant families for social sector employment, and their ability to accept low wages because of their incomes from the rural economy resulted in a long term tendency to force the expansion of employment which generated a low marginal product. From the point of view of the regime, it permitted industrialisation with minimal investment in social overhead capital, and, although this could not be admitted, it enabled them to hold wages down. On the other side of the coin, they got a low productivity industrial work-force - for the peasant commuter was far too tired to do a decent day’s work⁶⁵ - while the peasant-worker’s farm generated little or no surplus. Industry became locked into a structure of over-manning while the lost potential for agricultural development was massive.

The regime was aware of the problem its policies had caused. It had not planned the expansion of the peasant worker class, and treated it as a transitional phenomenon. It expected that most peasant-workers would gradually abandon farming and become urbanised employees, and that their farms would gradually be absorbed into the socialised farm sector. State propaganda, especially in the schools, continually stressed that the (private) peasant was a relic of the past, with no future, and that the future belonged to “socialist” man - the self-managing worker in the factories. However, the expected transition could not occur until

⁶⁰ Kreso, *Problematika*, p. 135.

⁶¹ Kreso, *Problematika*, pp. 72-3.

⁶² Stanko Zuljić, “O dnevnim kretanjima radne snage u Zagrebu”, *Geografski glasnik*, 19 (1957) pp. 138-141.

⁶³ Kostić, *Seljaci*, p. 160.

⁶⁴ Kostić, *Seljaci*, p. 8.

⁶⁵ Krasovec, “Uloga seljaka radnika” p. 47.

wages in state employment rose to levels sufficient to support these families without the aid of the incomes they drew from farming, which were taken largely in subsistence products, and until urban housing was provided for them. By exerting pressures on peasant factory workers to choose between industry and agriculture, they merely scared these people, who knew only too well they were in no position to make such a choice.

In the later 1950s, the regime launched a new drive to increase agricultural output. This reflected its concern after the Polish and Hungarian upheavals to provide more consumers goods. In the bloc, the increasing problems of Soviet farming caused a renewed drive for collectivisation, not as before, to extract a rising proportion of the produce of a stagnant peasant farm sector, but as a vehicle for infusing capital inputs into agriculture without encouraging private farming. In Yugoslavia, the regime did not dare resume collectivisation, but it attempted to boost farm output by concentrating the inflow of resources (especially machinery and artificial fertiliser) on the socialised sector, including the co-operatives. The state farms now received a massive injection of investment funds. The effort was rewarded by a 149 percent rise in social sector farm output between 1955 and 1959.⁶⁶ To a large extent this was the outcome of a sugar beet planting drive. The tractor stock of the state sector farms rose (at last) from 9,000 to 29,000 and their use of artificial fertiliser per hectare of cultivable land rose from 103 kg to 725 kg., which was 14 times the rate at which it was applied by the peasants.⁶⁷ The costs of this drive were high, because the fertiliser had to be subsidised, notwithstanding which the state farms lost money copiously. The state sector farms were by now evolving into agro-industrial combines, of which the largest was P.I.K. Tamis at Pančevo, in narrow Serbia north of the Danube, with 250,000 hectares.⁶⁸ These combines now used more capital per worker than did manufacturing, but (allegedly) at only one third of per worker productivity.⁶⁹

With sharply increased output from the state sector, the peasants could be kept economically weak and dependent on the state. Admittedly, in the mid 1950s they had been allowed to buy used tractors from the state sector, but many communes reacted by imposing punitive taxes on their purchase.⁷⁰ The preferred policy was to apply co-operative mechanisation to the peasant farms, in exchange for payment in kind by the farmers. The real aim behind this, claimed Krasovec, was to suck peasant land into social ownership.⁷¹ The system was costly, bureaucratic and inefficient, but as the tractors and fertiliser were subsidised by the state, the peasants used the services of the co-operatives. Peasant output in the late 1950s rose between 1955 and 1959 by 39 percent. The peasants could have achieved a better return had they secured more of the investment inputs directly, because the co-operatives were over-equipped and the prices of their services too high. When subsidies on the machinery were cut in 1960, peasants tried to minimise their use of it. The recovery enabled them to increase their holdings of draft animals, and with these, they competed against the co-operatives in providing services to other farmers. The co-operatives began to

⁶⁶ Veselinov, *Sumrak seljaštva*, p. 67.

⁶⁷ *Jugoslavija 1918-1988*, p. 225.

⁶⁸ Veselinov, *Sumrak seljaštva*, p. 68.

⁶⁹ Sirc, *Yugoslav economy*, pp. 64-5.

⁷⁰ Horvat, *Yugoslav Economic System*, 76, p. 145.

⁷¹ Krasovec, "Uloga seljaka radnika", p. 48.

decay, as the demand for their services diminished. So too did their inventory, as state farms arbitrarily helped themselves to their machinery, without paying for it.⁷²

Between 1959 and 1965, peasant farm output declined.⁷³ The reason for this was that the sector was continuing to shed labour rapidly. The peasant preference for draft power over fertiliser indicates that as the peasant farms became short-handed, they were more concerned to save labour than to raise yields. The 1965 reforms were beneficial to farmers. Agricultural prices were permitted to rise relative to other prices. In 1965, the restrictions on peasants buying machinery were eased and in 1967 they were abolished. Because of the flow of funds earned by emigrant labour and the availability of credit, peasants rapidly equipped themselves with tractors, whose numbers in the private sector shot up from 4809 in 1957 to 39,046 in 1969 and 170,000 in 1974.

The local monopoly hitherto held by the co-operatives on the sale of produce was ended, so the co-operatives endeavoured to compensate by invading the territory of adjacent co-operatives, in order to spread their fixed costs over as much trade as they could secure. But the co-operatives also accelerated their own decline by fraudulent manipulations of their purchasing from the peasantry, at the cost of the latter.⁷⁴ They had ceased to have a valid role to play. They dispensed with the services of their specialists, and their managing bodies were taken over by their largely unskilled staff. According to Horvat, they became infiltrated by “clan relations”, and provided jobs for social-welfare cases. They became easily corruptible. The peasants, smelling out a state institution in trouble, privatised co-operative equipment, and bribed the tractor drivers, whose equipment was allowed to fall into disrepair.⁷⁵ Both Horvat and Veselinov emphasise the point that the co-operatives acculturated peasants to the use of machinery and fertiliser, but in fact peasant farm output remained flat between 1959 and 1972.⁷⁶ Fertiliser use on the peasant farms rose only slowly, and as in the preceding period, their mechanisation continued to be aimed at replacing labour, and not at intensification.

In writing of state policy towards the peasants it must be borne in mind that the authorities were largely indifferent to conditions in the villages. The peasants were a “written off” class, and were largely unrepresented in the councils of the new socialised order. They were scheduled in due course to leave their land and become workers in social sector industry, and their land when it came available was to be mopped up into the state farms, though once there, it often remained uncultivated. When the social sector wanted rural land for new installations, particularly of a type which might otherwise cause urban pollution, or for urban expansion, it satisfied its requirements by expropriation.⁷⁷

In the 1960s, the rise of the peasant-worker group continued, though at a much slower rate than in the 1950s. Between 1960 and 1969, their number advanced from 1.31 million to 1.42 million.⁷⁸ This represented a pronounced increase in the dependence of a declining

⁷² Horvat, *Yugoslav Economic System*, p. 137.

⁷³ Veselinov, *Sumrak seljaštva*, p. 67.

⁷⁴ Veselinov, *Sumrak seljaštva*, p. 86.

⁷⁵ Horvat, *Yugoslav Economic System*, pp. 147-8.

⁷⁶ Veselinov, *Sumrak seljaštva*, p. 67.

⁷⁷ Stipe Šuvar, “Neki aspekti konfliktnih odnosa selo-grad u našem društvu”, *Sociologija sela*, 10 (1972) 1, pp. 5-15.

⁷⁸ Marković, *Migracije*, p. 49.

peasant sector on social sector employment, for the peasant-worker proportion of the peasant class rose from 39 percent to 44 percent. The expectation of the regime that the peasant-worker phenomenon would be transient was not therefore born out by events. Yet, within this sector, profound changes were occurring. Between 1961 and 1971 and for some years after, large numbers of former peasants (and their children) gave up the agricultural-industrial struggle, and left the land. The urban population (by a wide definition) rose from 28.3% of the population to 38.6%. This was assisted by a sharp rise in real social sector earnings, so into the role of those who had urbanized, new waves of workers from former “pure” peasant families found industrial work.

Like their predecessors, however, they continued to live on the farm. The would-be urban immigrants still needed to solve their housing problems, and the rate of urban social sector house building, though increasing, did not provide housing for the majority of the urban immigrants. As late as 1973, enterprises, which were a major source of housing provision, still allocated most of the houses they built to “a small number of managers and well paid specialists.”⁷⁹ There were however other possibilities. Since social sector building costs were so inflated, smaller enterprises found it cheaper to extend loans for private house-building, though these usually fell short of the minimum required to build adequate housing - except, of course, when they were granted to senior management.⁸⁰ On the whole the poor built without any assistance at all.⁸¹ As a rule, peasant workers built their private houses on the urban peripheries, and their homes were much less well amenitied than those built by the social sector. As city governments did not allow private development to take place in the cities themselves, the new settlements formed in semi-urban areas around the factories and along the roads, which permitted their inhabitants improved access to social sector employment. This sort of development also sprang up in rural local authority areas on the edges of cities, resulting in what the authorities deprecated as “wild” house building. In Zagreb in 1973, it was claimed that 100,000 people lived in peripheral settlements which, at least initially, appeared spontaneously, housing working class families that the “social communities”, who housed “families with higher social status”, neglected.⁸² In Sarajevo, the authorities complained of “self-sprouting settlements, tens of thousands of illegal and arbitrarily erected buildings, tens of thousands of unsynchronised selfish individual desires and actions contribute to the pollution of the human environment...” and threatened to demolish them.⁸³ This was probably a gross exaggeration, for the houses in “wild” settlements were of a surprisingly high standard of construction.

By no means all of this new construction denoted a definitive transition from agriculture, because many if not most of these people tried to retain their links with farming. For example, on the periphery of Užice, new villages sprouted, built of wooden material often pre-assembled and brought in by cart. Their inhabitants found scraps of land to cultivate, while working in urban jobs.⁸⁴ This kind of arrangement often involved the exchange of fragments

⁷⁹ Lazo Antić, “Neopravdane socijalne razlike u oblasti stanovanja i stambene izgradnje”, *Naše teme*, 17 (1973) p. 562.

⁸⁰ Antic, “Neopravdane socijalne razlike”, p. 563.

⁸¹ Benson, “Class, party and the market”, p. 222, 232.

⁸² Stipe Šušvar, *Između zaseoka i megalopolisa*. (Zagreb, 1973), p. 175.

⁸³ Mehmedalija Huremović, “Bespravna stambena izgradnja u Sarajevu”, *Ekonomika uslužnih delatnosti*, (1975) 1, p. 40.

⁸⁴ Mirko R Barjaktarević, “Neke etnološke zakonitosti kod naših najnovijih migracija”, *Glasnik etnografskog muzeja na Cetinju*, 4 (1964) pp. 320-21.

of farm land in more remote locations for plots around the new properties, which could continue to provide their owners with the basis for raising pigs and chickens, growing vegetables, and other forms of relatively land intensive work. In part, this was because of the continuing difficulty of these families in valorising their female labour through social sector employment.

The Kardelj reforms of the 1970s extended to agriculture, with an attempt to apply the “association of labour and funds” principle. Kardelj remained unswervingly opposed to any reform which might lead to the re-emergence of capitalistic relations in the village. In order to apply large scale agricultural techniques, peasants should form long term, integrated organisations which would pool land labour and equipment. These organisations would have a salaried staff, and they sound remarkably like collective farms. They would be controlled by an appointed director and a workers council, and any profits formed would not be distributed but would become social property. Peasants were highly sensitive to anything which smacked of a collectivisation drive, as this undoubtedly did, but, as the system also offered peasants some of the side benefits and social security of the social sector, it had a certain limited attraction. Yet by 1982, only 3 percent of peasant households had enrolled in this particularly high form of co-operative. Lower levels of co-operation, involving purchase and sale and credit access made more headway.⁸⁵

During the 1970s, the active farm population, which had hitherto declined slowly, declined very rapidly, from 4.21 million in 1971 to 2.49 million in 1981.⁸⁶ Thanks to the investment boom of the 1970s young men found it relatively easy to obtain construction and heavy industry work during the investment boom, and saw little future for themselves in farming. The farm population was also ageing and increasingly feminised. This was an outcome desired by the policy makers, who hoped it presaged the final demise of the peasantry and the absorption of their farms into the socialised sector. However, the rise of unemployment in the 1980s, and the accompanying diminution of investment spending, had immediate repercussions for the farming sector, for it checked the outflow of would-be social sector employees from the peasant farms. So instead of continuing its rapid decline, the agricultural population rose in the 1980s, from 4.28 million at the beginning of 1981 to 4.49 million at the beginning of 1991.⁸⁷ By 1990, part of this growth was made up of “returners” from industry.⁸⁸ Despite the increase in the peasant labour force and the continued growth (1981-90) in the number of privately owned tractors from 568,000 to 1.06 million,⁸⁹ private sector farm production declined by 6.1 percent between 1980 and 1990,⁹⁰ implying an 11 percent reduction in peasant productivity. Farmers were restricted from cultivating larger areas, so land fell into disuse. By the late ‘80s it was estimated that a million hectares of peasant land had been abandoned and lay uncultivated.⁹¹ The fall in the use of artificial

⁸⁵ Veselinov, *Sumrak seljaštva*, pp. 230-32; Dyker, *Yugoslavia*, p. 110.

⁸⁶ *SGJ*, 1988, p. 122.

⁸⁷ *Jugoslavija 1918-1988*, p. 39, *SGJ* ‘92, p. 424.

⁸⁸ *Ekonomaska politika*, 18 Jun. 1990, p. 23.

⁸⁹ *SGJ*, 1988, p. 240; 1991, p. 241. The extraordinarily large number of peasant tractors obviously reflected the extreme fragmentation of farming, but the underlying rationality for tractor acquisition is unclear. See Veselinov, *Sumrak seljaštva*, pp. 155-7.

⁹⁰ *Jugoslavija 1918-1988*, p. 224, *SGJ*, 1991, p. 241.

⁹¹ Veselinov, “Postwar Yugoslav agriculture”, p. 12.

fertiliser on private farms from 1.55 million tons in 1980 to 1.06 million in 1990⁹² testifies to the decrease in intensity with which the smallholdings were being worked. Even the state farms were now in decline - their maximum output was attained in 1986 (and probably much earlier in reality, because their decline would have been concealed by accounting distortions). Their difficulties were like those of the social sector in general - as loss making organisations they ceased to invest, and reduced their intensity of work. They cut back on use of fertiliser and crop protection materials, and in 1990 it was reported that "specialists [had] for a long time observed that ... the genetic potentials of the strains they disposed were a long way from being fully exploited, so the productive and economic effects made possible by the equipment of the greater part of the social sector were not being realised." The intensity of livestock farming was falling still more.⁹³

By 1988, the age-long obsession with keeping the peasants poor and dependent on the state was in retreat. The peasant land maximum was raised to 30 hectares,⁹⁴ and in 1990 it was abolished altogether. The reform made it possible for private farming to rationalise, but the structural changes which were likely to flow from this long overdue reform were not of a type which would give quick results, especially in an economy which itself was in secular decline.

The consequences of farm policy for the long run

The idiosyncrasies of Yugoslav agrarian and industrial policy produced deformations in economic structure, which contributed profoundly to the gradual undermining of the economic system. The root of the problem was the persistently low productivity with which Yugoslavs farmed the land, and the consequently low level of agricultural output.

⁹² SGJ, 1988, pp. 251, 256; SGJ, 1991, pp. 253, 257.

⁹³ E.P., 21 May 1990, pp. 26-27.

⁹⁴ Dyker, Yugoslavia, p.151.

Table 3.3. **Yugoslavia Agricultural production 1939-1990**

year	dohodak	soc sec	peasant	soc sec	peasant	soc sec	peasant	all	all
	m.din of 1972	labour	actives	d.p. m. din of 1972	d.p m.din of 1972	product- ivity din (72)	product- ivity din (72)	output index	product -ivity dohodak basis
1939	39909		5713000		41747		7307	100	100
1946	18012	2000	5694303					45	45
1947	20534	5000	5622000					51	52
1948	23826	32000	5550615					60	61
1949	24496	57000	5480137					61	63
1950	18105	63000	5410554					45	47
1951	26328	65000	5341854					66	70
1952	17375	86000	5274026					44	46
1953	24003	90000	5171926					60	65
1954	21419	102000	5071803	1778	20479	17431	4038	54	59
1955	26089	118000	4973618	1770	25291	15001	5085	65	73
1956	22587	125000	4877334	1550	21890	12404	4488	57	65
1957	30251	128000	4782913	2469	28955	19291	6054	76	88
1958	27202	144000	4690321	2784	25516	19332	5440	68	81
1959	34250	165000	4599521	4163	31529	25228	6855	86	103
1960	31924	181000	4510479	4336	28995	23956	6428	80	97
1961	30962	221000	4462019	4380	27969	19818	6268	78	95
1962	30611	208000	4414079	5114	26930	24585	6101	77	95
1963	32859	210000	4366654	5748	28683	27372	6569	82	103
1964	34302	213000	4319739	6595	29383	30960	6802	86	108
1965	31655	210700	4273328	6220	27000	29521	6318	79	101
1966	37577	195000	4227415	7782	31678	39907	7493	94	122
1967	37267	180000	4181996	7988	31175	44376	7455	93	122
1968	35876	167000	4137064	8156	29477	48836	7125	90	119
1969	39212	162000	4092616	8831	32391	54515	7914	98	132
1970	36803	159000	4048645	8298	30404	52187	7510	92	125
1971	39177	158000	3825494	10076	31230	63770	8164	98	141
1972	38381	160000	3614643	9942	30527	62140	8445	96	146
1973	41910	161000	3415414	10694	33490	66421	9806	105	168
1974	44173	168000	3227165	11939	34688	71063	10749	111	186
1975	42947	176500	3049292	10590	34700	60000	11380	108	191
1976	45857	178000	2881223	11890	36522	66798	12676	115	215
1977	48364	178000	2722418	12767	38311	71723	14073	121	239
1978	45566	183000	2572365	12776	35437	69815	13776	114	237
1979	48119	188000	2430583	13576	37345	72213	15365	121	263
1980	48195	191000	2296616	13746	37272	71966	16229	121	277
1981	49473	200000	2303549	14000	38300	70000	16627	124	283
1982	53136	210000	2310504	15500	40800	73810	17658	133	302
1983	52658	218000	2317479	15600	40200	71560	17346	132	297
1984	53657	226500	2324476	17180	39820	75850	17131	134	301
1985	49953	230700	2331493	16220	36660	70308	15724	125	279
1986	55502	238900	2338532	17650	41110	73880	17579	139	308
1987	53019	244400	2345592	17340	38840	70949	16559	133	293
1988	51090	244800	2352673	17340	36820	70833	15650	128	282
1989	53690	246400	2359776	17860	39020	72484	16535	135	295
1990	51121	242100	2366900	17304	36710	71475	15510	128	280

In Table 3.3 we have constructed an overview of farm performance between 1939 and 1990. The first point to notice is how drastically reduced was production after World War 2, from its pre-war level. By 1948 output should have recovered to pre-war especially as food was in short supply internationally, but thanks to the oppression of the peasants it had only recovered to 60 percent of 1939, while the superimposition of collectivisation drove the index down to 44 in 1952. It did not surpass pre-war till 1973 and in 1990 it showed only a modest 28 percent advance on 1939. This is an important conclusion for understanding Yugoslavia's agricultural problem and the role played by agriculture in the wider development process. These findings are sharply at variance with the official statistics which show crop production in 1950s as 10 percent higher than in the 1930s and livestock output 3 percent higher.⁹⁵ Therefore the strong evidence establishing this far less favourable out-turn is provided as the appendix to this chapter.

On a productivity basis, performance was stronger, because of the shrinkage of the farm labour force. Even so, productivity per active agriculturist did not establish itself above 1939 (except momentarily) until 1963. In 1976-8, labour productivity in Yugoslav farming was but 10 percent of that of Britain, 16 percent of that of France, and at about the same level as Pakistan.⁹⁶ Considering the removal of agrarian overpopulation, (the labour force shrank from 5.7 million to 2.5 million between 1939 and 1980), the immense change in the technology applied, the use of tractors rather than oxen, the gains from seed selection and breeding techniques, and the impact of artificial fertiliser and crop protection materials, one can only explain this by severe organisational retardation.

The structural aspect is also apparent. The state sector was still very small in 1954, employing only 2.0 percent of the agricultural labour force, but producing 8.0 percent of output. As employment in this sector rose, while the agricultural labour force as a whole declined, by 1990 state farming employed 9.3 percent of the agricultural labour force, and produced 32.0 percent of output. Its productivity, already 4.3 times that of the peasantry in 1954 advanced up to 1990 at 4.0 percent per annum, while peasant productivity advanced by 3.8 percent per annum from the very low base line of 55 percent of 1939.

Taking a snapshot of 1989, state sector farming disposed 39 percent more capital per worker than the social sector as a whole, and this took no account of the value of the land.⁹⁷ It applied 567 kg. of fertiliser per hectare, compared with 165 kg. in the peasant sector.⁹⁸ A probable key to understanding the low productivity of peasant farming in Yugoslavia was the very short period of annual activity. In the grain basins, this amounted on peasant farms to about 60 days a year.⁹⁹ This low time utilisation of labour on the peasant farms was the result of a system which mechanised much of the farm work, but which lacked the minimal economies of scale to adopt technology intensive specialisation. For example, in 1979/81 the ubiquitous peasant's cow yielded 1,491 litres of milk, the social sector cow, 4,733 litres.¹⁰⁰

The peasant farming sector never broke clear of its subsistence farming origins. After the upheavals of the 1940s and early 50s, 2.6 million smallholdings provided a subsistence source

⁹⁵ Jugoslavija, 1918-1988, p. 199.

⁹⁶ Veselinov, Sumrak seljaštva, p. 200.

⁹⁷ Calculated from capital stock and employment data in SGJ, 1991, pp. 100, 105, 241.

⁹⁸ Calculated from SGJ, 1991, pp. 241, 253, 257.

⁹⁹ E.P., 18 June 1990, p. 23.

¹⁰⁰ Jugoslavija 1918-1988, p. 224.

for the families who worked them but contributed little to the supply of food on the market. Despite the great expansion of the economy during the 1960s and '70s, and the improved access the peasants enjoyed to modern agricultural technology, the peasantry continued to work their farms mainly for subsistence purposes. From the point of view of the peasants, it was completely logical to try to minimize the proportion of produce they sold, and to depend for their cash needs on incomes from sources other than their holdings. This was particularly true of the rising proportion of farms owned by peasant-worker families, and a tendency was noted in rural areas with growing access to employment (and market opportunities in farming) for the farms to retreat towards subsistence. It also held for the so-called pure agricultural holdings. Table 3.4 shows the disposal of private agricultural produce, as between the market and self-consumption at a series of decadal points. It is based on official annual enquiries.

table 3.4. Private farming, subsistence and market production, 1959/61-1989/90.

	% of net income from the farm	% of gross income farm income in kind	% of net farm income in kind	taxes as a % of gross farm income
1959/61	70.0	44.0	59.9	8.0
1969/71	54.4	39.8	58.8	5.7
1979/81	48.9	43.7	68.9	2.8
1989/90	38.3	49.7	61.1	2.5

Sources: SGJ, 1964, p. 165; 1966, p. 156; 1971, p. 147; 1973, p. 161; 1982, p. 247; 1984, p. 246; 1991, p. 259; Yugoslavia, *Statistički Bilten*, no. 1935.

The figures in column 2 show that from the end of the 1950s to the end of the 1980s net income from farming accounted for a rapidly declining proportion of the total income of peasant households, from 70 percent to 38.3 percent. The third column shows the proportion of their farm output to be used for subsistence purposes, a proportion always high, which showed no tendency to decline over time, if anything the reverse. Column four is even more revealing. After deducting the costs of production that the peasant had to make in cash - outlays for seed, fertiliser and other disposables, cash spent on maintaining and augmenting the stock of equipment, and on tax payments, the end purpose of peasant farming remained firmly and increasingly orientated to subsistence. Of the net (consumed) income from the farms, subsistence never fell below 59 percent, and rose at the end of the 1970s to 69 percent before subsiding to 61 percent at the end of the 1980s. The Pakistani level of productivity presumably explains why the greater part of peasant farming activity was devoted to self-consumption: most farming effort was needed to provide the food intake of the farm household. We note also that direct taxation on the peasants (other than the payroll taxes deducted from their employers) was always quite modest, and fell markedly, from 8 percent of income from farming at the end of the 1950s to 2.5 percent in the late 1980s. An example of the subsistence nature of peasant farming was the production of milk. The peasants (average of 1975 and 1985) produced 91 percent of all milk. The total amount of milk marketed in Yugoslavia was 1,171 million litres out of a total produced of 4,043 million. Assuming all the social sector milk was sold, peasants sold 814 million litres and self-consumed 2,871 million, or 78 percent of their output. It was little wonder that Yugoslavia became an importer of milk (160 million litres in 1989).¹⁰¹

Because of the low productivity of its agriculture and the high (consequent) propensity

¹⁰¹ E.P., 21 May 1990, p. 32.

for farmers to produce for subsistence purposes, Yugoslavia sacrificed the one trade advantage of an industrially underdeveloped economy, its comparative advantage in the export of agrarian products. Instead it became a long term food importer. The farm population was contracting sharply from the 1940s onward, but as late as 1981, 26.6 percent of the active population still engaged in farming,¹⁰² Yet in the 24 years between 1957 and 1980, Yugoslavia only generated a net export of agricultural products in four years, 1960 and 1967-69. In 1957-66 the annual average trade deficit on farm products cost \$29.4 million. By the 1971-1980 it was running at \$406.3 million.¹⁰³ As farming declined in the 1980s, the trade balance in farm products further deteriorated. In 1971-80, exports from agriculture had covered 62.7 percent of the import bill, but in 1981-90 the gap had widened further, with coverage of only 47.4 percent. By 1990, the ratio had slumped to 25 percent. The agricultural trade deficit was in part produced directly by state policy - the discouragement of exports in order to hold food prices down.¹⁰⁴

Given the existing extreme strain on her ability to pay for imports, Yugoslavia faced an incipient food supply crisis. This was already causing a slight diminution in per capita food consumption. In 1980 protein consumption was 105.1 grams per head per day, in 1989: 100.1, and consumption of energy fell from 15,269 kilojoules to 15,043 over the same period.¹⁰⁵ These trends were subsequently to get much worse, especially in rump Yugoslavia.

Yugoslavia's long term orientation to low productivity subsistence farming and the net import of food was a critical source of developmental weakness. It deprived the country of the export earnings so pronouncedly agrarian a country could normally count on, forcing it to depend for exports on subsoil wealth which it needed for its own industrialisation, and on its industrial products, which were produced at high cost, and of generally low quality. This as we showed in the preceding chapter, caused exporting to be a loss making business, and the object of continually proliferating rebates, subsidies, and soft loans. So in the absence of foreign capital inflows after 1979, the lack of a strong agrarian export sector became a dangerously destabilising feature of the Yugoslav economy.

The offsetting gains from the exploitation of peasant labour in mass employment in the factories also turned out to be minimal. Much of the industry which was created on urban periphery and semi-rural sites, to draw expressly on the inflow of peasant migrants, tended to be in producers' goods, from engineering, machine building, and sub-assembly work. Typically these products were not exportable without heavy subsidy except to Soviet area markets, while home demand depended on an extraordinarily high rate of domestic investment which could not be sustained in the absence of foreign capital inflows. By the late 1980s, net investment had turned negative, so demand for the products of the investment goods factories slumped. Their trading position had already been undermined not only by their export commitments but also by the efforts of the local authorities continually to force up employment, a process which continued till 1988, when social sector employment peaked at 6.712 million. They needed desperately to lay off labour, so by 1990 social sector employment fell to 6.47 million.¹⁰⁶ Falls in employment were heavily concentrated in metal processing, down from 284,200 to 251,800, in construction from 554,500 to 497,900, and in

¹⁰² Jugoslavija 1918-1988, p. 39.

¹⁰³ Veselinov, Sumrak seljaštva, p. 195.

¹⁰⁴ E.P., 18 June 1990, p. 23.

¹⁰⁵ Jugoslavija 1918-1988, p. 113, SGJ, 1991, p. 185.

¹⁰⁶ SGJ, 1991, p. 100.

crafts from 174,400 to 138,500.¹⁰⁷ Yet the factories were still carrying huge internal reserves of labour, and many of them could only pay wages by indebting themselves more deeply with the banks - while others allowed wage payments to fall into arrears. As a result, the old bogey that had stalked the peasant worker was given a new lease of life - factories that needed to reduce their payrolls tried to force workers who still had some agricultural land to withdraw to the farms, in order to protect the livelihood of the urbanised labour that was wholly dependent on its social sector earnings.

This was only the beginning of a far more dramatic destruction of the type of employment on which the peasant-worker class had up till then depended. In Croatia, by 1993, the output of the main engineering trades, metal processing, machine building and vehicles had fallen to 30.5 percent of its 1988 peak, in rump Yugoslavia to 16.4 percent. If 1988 productivity levels had been maintained would have shaken out 77,000 workers in Croatia and 230,000 in Serbia. In fact the shake out was much smaller, and the factories carried massive underemployment. In rump Yugoslavia, as the investment good industries and the construction sector collapsed, outright redundancies were avoided, but several hundreds of thousands of workers were put on compulsory leave of absence, an arrangement which preserved their social wage entitlements, and provided a small cash dole. At Zastava, Kragujevac, a peasant-worker factory par excellence, the question arose as to whether the “temporarily” laid off workers should continue to receive vouchers for the factory’s daily hot meal.¹⁰⁸ The redundant workers were expected to return to the land to compensate their lost industrial earnings, or to find earnings in the black market. 1993 was of course a war year, but there was little subsequent recovery in the industries which had employed the peasant-workers. Nor was there any real expectation of one, for engineering industries using obsolete technologies had no obvious economic function. In Croatia, metal processing output in 1997 was unchanged from 1993.¹⁰⁹ The clothing and textile trades, which had absorbed much of the labour of employed females from peasant worker households, contracted by a lesser 46 percent in Croatia between 1988 and 1993, but by a further 21 percent to 1997. These trades both in Croatia and Serbia were notable for their extremely low wage rates, but they were obsolete, incompetently managed and uncompetitive in the face of cheap imports, mainly smuggled in from Turkey.

The landscapes of (ex-)Yugoslavia visible to the railway traveller soon acquired that baleful look common to her former Soviet bloc neighbours, the big factories straggling along the lines, standing derelict, windows shattered, decaying inventory in the yards. The peasant-workers who had once supplied them with cheap but low skilled, low productivity labour were trying to sell consumers goods in the produce markets, or from car boots and on street pavements, often in pathetic quantity. Very often their stock was filched from the factories in which they still retained at least nominal employment. Others offered their services in large numbers on markets for casual labour.

In conclusion, the drives in the 1940s through the 1970s to force up industrial employment, (especially in investment goods) and to minimise the cost by creating a huge low paid peasant worker class whose overhead was borne by the employee, had proved nothing more than a detour from underdevelopment to industrialisation and back to underdevelopment. The policy of keeping the peasants economically weak ruined agriculture,

¹⁰⁷ SGJ, 1991, pp. 100, 147, 148.

¹⁰⁸ Zastava (Kragujevac) 30 Sept. 1992, p. 12.

¹⁰⁹ SLH, 1998, p. 254.

and left the country dependent on food imports. When its capacity to borrow internationally was exhausted at the end of the 1970s, industrial development decelerated, then stopped altogether. This collapsed the investment orientated industries which had been built up to such a degree on peasant labour. So in the end, Yugoslavia was left with labour, redundant to the industries which had once employed it and redundant too to an undercapitalised agriculture which could neither reabsorb it, nor feed the population.

APPENDIX

In Table 3.3, Yugoslavia's farm output in 1946 is shown as 45 percent of 1939. The basis for calculation is that 1951 agricultural output was 66% of 1939 (Dyker).¹¹⁰ Official figures for national income from agriculture and fisheries at 1972 prices for the years 1947-54 are indexed to the above figure for 1951. This produces an index figure of 51 percent of 1939 for the year 1947. These figures fit excellently with another series, (Brus/ Bičanić)¹¹¹ which gives 1947 farm output as 57 percent of 1934-38. National income from agriculture in 1934-38, expressed in 1938 prices, was 20.87 billion dinars against 23.51 billion in 1939, or 88.8 percent of the 1939 figure.¹¹² So the Brus/ Bičanić figures when adjusted from a 1934-38 basis to a 1939 basis imply a 1947 figure of 51 percent of 1939, which is identical to the figure calculated from Dyker. Brus/Bičanić also give an index figure of 50 percent of 1934-38 for 1946. When adjusted to 1939 as the base year this gives the figure shown of 45% of 1939.

These figures are at variance with those claimed in the official yearbook for 1962, (but dropped in subsequent yearbooks) and cited by Singleton and Carter, which show total output in 1948 at 103 percent of 1930-1939.¹¹³ However there is a major inconsistency in the official figures. For 1947 the Food and Agriculture Organisation (F.A.O.) rejected Yugoslavia's more optimistic official estimate and estimated that food consumption per capita in calorific terms had fallen from 3,020 pre-war to 2,140, and that consumption of animal protein was exactly half pre-war.¹¹⁴ Yet 1947 was a relatively good year, in which real wages were 32 percent higher than they were to be in 1948. As the Brus/Bičanić figures give a wide range of estimates for 1948 and 1949, it seems probable that agricultural production was grossly inflated in the official statistics, which were based on estimates by local officials of "anticipated and created yields",¹¹⁵ in order to conceal the shortfalls in relation to planned targets. Moreover, in 1951, when claimed agricultural production was 106% of 1930-39, Yugoslavia received as relief from the USA alone as credits and gifts about 600,000 tons of

¹¹⁰ Dyker, Yugoslavia, p. 23.

¹¹¹ W Brus, "Post-war reconstruction and socio-economic transformation", in M C Kaser & E A Radice, The Economic History of Eastern Europe 1919-1975. II, (Oxford, 1986) p. 626, from Ivo Bicanic background paper "Some elements of Yugoslav economic history 1945-1950".

¹¹² Jugoslavija 1918-1988, p. 95, citing calculation by Stajic.

¹¹³ Fred Singleton & Bernard Carter, The Economy of Yugoslavia. (London, 1982) p. 108.

¹¹⁴ M Palairat, "Real earnings and national product in Yugoslavia in the long run, 1863-1988", in Erik Aerts & N Valerio, Growth and stagnation in the Mediterranean world. (10th International economic history congress, Leuven, 1990, p. 70.

¹¹⁵ SGJ, 1954, p. 113.

various foodstuffs,¹¹⁶ compared with her export in 1938 of 608,000 tons of grain and beans plus 259,000 live pigs, 246,000 sheep, and 27,000 tons of meat and animal fats.¹¹⁷ Admittedly, the US deliveries responded mainly to the shortfall of 1950, but even so, the claimed figures for output could only be compatible with a markedly higher than pre-war standard of consumption - which is ludicrous considering the extreme compression of real incomes during this period.

The agricultural population in 1948-53, at a mean 10.5 million was about the same as in 1931 (10.65 million) and 1931/1939 population growth was of 11.5 percent. Assuming that the agricultural population grew no faster between 1930 and 1939 than the population as a whole, productivity in agriculture in 1948 was 66.8 percent of 1939. In 1961, using the census showing agricultural population that year as 9.198 million, the comparable productivity figure for that year was 100.1.

¹¹⁶ Lampe et al, Yugoslav-American Economic Relations, p. 34.

¹¹⁷ Yugoslavia. Statistički godišnjak 1938-1939. (Belgrade, 1939), p 254./