Market Socialism and the Resurgence of Nationalism

Following his personal triumph at the Belgrade Conference of the non-aligned states in September 1961, Tito spent the early months of 1962 on an extensive tour of Africa, particularly the Mediterranean states on which Yugoslav foreign policy would focus increasingly as the decade progressed. On his return to Yugoslavia he was presented with an economic crisis that could no longer be ignored.

Tito was already seventy-one years of age and was naturally increasingly resistant to the arguments of those who wanted to innovate. In 1961, the brief liberalisation of the economy had proven alarming and he had called an abrupt halt, probably recognising that if he permitted these reforms to run their course, the economy would be swept into the Western economic system, destroying the foundations of the LCY’s rationale for existence. This then, was the heart of the dilemma facing Yugoslavia for the remainder of Tito’s life. The logic of liberalisation of the economy required that the Party abdicate from its monopoly of political power and abandon therefore the pursuit of the goals which its doctrine taught were an inevitable outcome of the forces of progress. For reasons of theoretical consistency, and perhaps even more for the preservation of vested interest and personal prestige, protection of the Party took precedence over the requirement for economic reform.

Underneath the debate, which ensued between would-be liberalisers and old-fashioned communist centralisers, several further problems were present. The first concerned the issue of leadership regeneration. The identification of the régime in the person of Tito had been a vital element in establishing the communist revolution in Yugoslavia and provided a guarantee of the unity of Party and state. But as time went by this factor became an insurmountable barrier to effective reform. By the 1960s, a new generation of party apparatchiks had emerged for whom the path to the top was blocked by the presence of a seemingly immovable, and immortal leadership. Increasingly debate within the party became focussed around groups and individuals competing for political favour from the leadership while developing their own agendas. This in
turn was linked with the second problem, the re-emergence of sectarian divisions which the communist state had covered up but not resolved. These tensions began to surface once again, becoming conjoined with the issues surrounding both economic reform and leadership renewal.

MARKET SOCIALISM

In May 1962, Tito explained during a visit to Split that the LCY must now take the lead in integrating the economy into a single unit, and through this process to take the development of a uniform socialist Yugoslav culture one stage further. Since the late 1950s, the question of economic reform had been debated frequently within the party and by 1962 had sharpened pre-existing lines of division.¹

Broadly, two schools of thought existed. One group, commonly referred to as ‘conservative communists’, thought that the progressive weakening of the LCY’s influence was a bad thing in the long run and that what was required was much greater direction from above. The objective of reform, in their view, was to achieve the Leninist goal of rapid capital accumulation which could only be accompanied by planning at the centre and a drastic reduction in emphasis on market forces and profit-making. What concerned the ‘conservatives’ most was not so much the economic consequences of greater liberalisation, but the impact this would have in political terms on the cohesion and authority of the Party.² In their view, the current direction of reform was taking the economy down a road which would ultimately endanger the existence of the Party itself, and therefore their own source of power. The principal advocates of this approach were drawn from Serbia and Montenegro and initially, at least, enjoyed support from Macedonia and elements within Bosnia-Hercegovina.³

The alternative viewpoint was based on the assumption that self-management and the parallel decentralisation of political power was the correct approach to Yugoslavia’s economic problems. This group resented what they saw as the persistence of so much central administrative control as the principal barrier to self-management’s effectiveness. In particular, they objected to the resultant negation of all incentives which, they argued, could lead only to stagnation and chaos. These would-be liberalisers argued for more devolution of power to enterprises and a further reduction in federal and local taxation.⁴ The principal advocates of this view were drawn, perhaps not surprisingly,