

Yugoslavia and the Betrayal of Democracy

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Region: [Russia and FSU](#)

Global Research, December 29, 2014

[Oriental Review](#)

I have recently been reading a book by Czech economist [Jaroslav Vaně k](#) entitled [The Participatory Economy: an Evolutionary Hypothesis and a Strategy for Development](#); it was written in 1971 and therefore at places feels a bit dated, but it contains many ideas which are both prescient and utterly profound, and perspectives which even at this late date came to me as surprising and counter-intuitive.

The book makes the argument for a market-based economic democracy in which the cooperative, worker-managed firm holds a central place, and asserts that this setup:

- a.) would provide a basis for a larger number of firms in the market, better-proportioned in size with regard to one another;
- b.) would reduce the most crass and cutthroat aspects of capitalistic competition in the market;
- c.) would make full employment easier to attain;
- d.) would significantly reduce inflation and runaway 'growth for growth's sake'; whilst at the same time it
- e.) would operate very close to an optimal level of economic efficiency.

Though when Vaně k veers into social theory to make the cases for the equivalence of political and economic self-determination or for the 'convergence' of economies both planned and market, he heads out onto thin logical ice, the central argument itself is intriguing. Even more intriguing is the case-study he makes of the Yugoslav economy during the 1950's and 1960's.



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Vaně k asserts that Tito's Yugoslavia in the wake of the Stalin-Tito split was the closest society in the world to his ideal of a worker-managed economy, and that as a result it was able to provide an example of a highly-efficient, humane and human-scaled economy, sporting near full employment, incredibly high educational standards and a high standard of living, which was the envy of many of the other nations in the region. He notes that the Yugoslav economy was built through a long process of trial-and-error, but that its income growth between 1951 and 1959 was unparalleled anywhere else in the world except Japan. Under the influence of Yugoslav economists [Edvard Kardelj](#) and [Branko Horvat](#), it was, so it seems, a successful experiment in the flavour of economic democracy advocated by Vaně k (and before him, non-Marxist leftists in the British tradition, namely [William Morris](#) and [G. D. H. Cole](#)).

Vaněk's sketch of Tito's Yugoslavia is intriguing and appealing, and indeed counter-intuitive to most American audiences. It opens up a view to the possibility of a more humane economy, one with a greater eye to the organic participation of (as opposed to the state- or market-segregation of) the human person in his own work – an important theme which [has been touched upon also](#) by His Holiness Patriarch Kirill of Moscow and All Russia. Indeed, Vaněk is at his most beguiling when he begins to explore the decidedly non-Marxist, non-materialist – moralistic, spiritual, even religious – dimensions of his economic vision. He places a great deal of emphasis on man's fundamental roles as creator and as co-creator, as participants, however imperfect, in the work of God. Vaněk is concerned – as indeed all religious men and women ought to be concerned – that the [ontological disconnect](#) in both capitalism and communism between moral man and the fruits of his work forebodes an exchange of the true for the merely expedient (as in advertising); an exchange of artistic and religious pursuits for mere accumulation; an exchange of meaning for mere diversion. The words Vaněk uses for this alienation under both capitalism and communism are *not* sparing: 'purposeless', 'self-centred', 'incomplete personality', even 'mutilation'. *It is little wonder indeed that he seeks after a more participatory model in which this systematic alienation between creator and created may be eased!*

Much as I can sympathise with these aims and concerns, I do indeed have some deep problems with Vaněk's political analysis, though. Vaněk is an idealist, as many Czechs indeed still are, and holds a burning zeal for political democracy which shines forth very clearly in his writing. There is not only charm and wit but also a thirst for truth in his reasoning, and it is difficult not to be swayed by it. *And yet there is still a tragic dimension to the democratic project that he too-often overlooks; the Yugoslav experiment did not occur, and likely could not have occurred, in the context of Western-style liberal parliamentarianism.* Given the recent history of my own nation, I believe it a highly incredible position also, that the adoption of a degree of political democracy (what he calls 'inner' self-determination) correlates in any meaningful way with a nation's respect for the sovereign integrity ('outer' self-determination) of other nations. In fact, what ultimately happened to Yugoslavia in the wake of the Soviet collapse provides a highly tragic counterexample.

Once its usefulness as a geopolitical buffer between the West and the Soviet bloc evaporated with the dissolution of Soviet Union itself, the Yugoslav economy was deliberately sabotaged and broken by the political nexus of IMF-managed Western capital. As historian [Michael Parentidescribes it](#), previously Yugoslavia had borrowed from the West in part to expand its domestic consumer production, and previously the IMF had obliged. But one of the preconditions of the IMF loan given to the Yugoslavs in 1989 was the imposition of what, by now, should look like an all-too-familiar prescription: austerity. Public programmes were slashed; wages were frozen; the currency was devalued and the system of worker-managed firms began to fray as their sources of investment began to dry up and as the legal framework which had supported them vanished under IMF 'restructuring'. *These reforms were pushed through at the beginning of the following year, to disastrous effect on the unique Yugoslav economy.*

✖ And the following collapse of Yugoslavia's now-fraying political institutions was given a hearty push by the Bush Administration in the form of the [Foreign Operations Appropriations Act of 1991](#), which *denied aid* to any regions of Yugoslavia which failed to declare independence within six months. The targets of this act were Yugoslavia's industries and state assets, which Western capital interests were eager to acquire. Opportunistic

politicians, encouraged both politically and economically to rebel against the Yugoslav government, began fanning the flames of nationalist *ressentiment* in every corner of the former republic – which already had ample grounds to grow in an economic environment where ordinary folk were now beholden to foreign interests, powerless, jobless, destitute and increasingly desperate.

The dismantling of Yugoslavia was a tragedy. It was a tragedy in part because of the hollow nature of the democratic idealism upon which the Yugoslav government was depending in the West. And it was a tragedy in part because the West viciously betrayed and stamped out not only the Yugoslavs – of whom over a hundred thousand were murdered and four million driven from their homes in the resulting fratricidal wars over the decade to follow! – but the Yugoslav model as well, which might have been instructive in some ways for political and economic practice in both West and East.

It is indeed necessary to continue to find ways of easing the alienation which occurs when the ordinary person is severed from the fruits of his work, the spiritual gulf that leaves, and the corrosions of induced passions and wants, of directionless work and of meaningless leisure. Vaněk's participatory economy based on worker-managed firms – both in theory and in his example of 1950's and 1960's Yugoslavia – provides one interesting, and by no means wholly unconvincing, vantage point from which to do this. *But it is also necessary, now as much as ever, to cast a critical eye upon the idealistic democratic language in which the geopolitics and finance of America and Western Europe are wont to cloak themselves. Here again the example of Yugoslavia is unfortunately instructive.*

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