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**Evolution of the Regional Policy of Yugoslavia (1945—1990)**

Ewolucja polityki regionalnej Jugosławii (1945—1990)

In terms of public opinion, Yugoslavia has become infamous in the last few years as a country characterized by a brutal civil war, ethnic cleansing, eruption of extreme nationalism, and lethal religious discrimination. However, we should remember that for more than four decades Yugoslavia was a nice, peaceful, and economically prospective country. At that time, it was a positive example of the possibility of combining fast economic development with social welfare and ethnic justice.

One aspect of the Yugoslav economic system during that former period is broadly described in professional literature. It is Yugoslav self-management, the only model other than market capitalism and centrally planned socialism that was implemented on a broad, national scale. But there is also another element that cannot be missed, a very active regional policy of a country built up from more than a dozen nationalities which history demonstrates as having had dozens of bloody conflicts.

I would like to examine the Yugoslav regional policy, which has proven itself for decades. The paper describes the premises of the Yugoslav regional policy and its development against a background of economic system evolution. It discusses the scope, and forms of aid for underdeveloped regions as well as main achievements and weaknesses of this policy.

There are many additional aspects that could have influenced the results of the Yugoslav regional policy. However, many studies have proven that the influence of various aspects of the Yugoslav economic system as related to its regional development cannot be properly evaluated. For example, because of the large differentiation of sales tax rates across products, and the different industrial structures across regions, the actual burden of federal sale taxes was unevenly distributed across regions. How

unevenly we do not know. Similarly, since heavy industry was concentrated mainly in particular regions, it is not unreasonable to guess that these regions benefited most from military spending in equipment (8). Kraft (1992) (19) had similar problems when he tried to evaluate the influence of economic (e.g. price distortions, some aspects of monetary policy, and so on) and political (such as persuading enterprises to pool their funds with other enterprises) elements that influenced the position of particular region. For these reasons my article concentrates only on the evolution of the very original and active, institutional regional policy of Yugoslavia.



Fig. 1. Yugoslav regions  
Regiony Jugosławii

#### PREMISES OF THE YUGOSLAV REGIONAL POLICY

There are several reasons why the Yugoslav regional policy became the solid element of its economic system.<sup>1</sup> The most important of them were the sharp differences inherited from the history of the Yugoslav

<sup>1</sup> Regional division in Yugoslavia was based on its political structure. The eight regions consisted of five Yugoslav republics (Bosnia-Herzegovina, Croatia, Ma-

territory. Yugoslavia, which came into existence as a result of World War I, was built from parts of the relatively well developed Austro-Hungarian Monarchy and parts of the backward, semi-feudal Ottoman Empire. That is why in the twenties, 64% of the country's industrial production, 65% of its bank capital, and more than 67% of its agricultural production was concentrated in the territory north to the Sava and Danube rivers, smaller in terms of area and population than the southern Yugoslavia. There, 66% of the population was agricultural, while the south was still 80% agricultural (7).

The situation did not improve between the two World Wars. To some degree worsened as a result of the protectionist policy of domestic industrial production in favour of developed parts of Yugoslavia. The lack of similar protection for farm products caused the relative increase of backwardness of the mainly agricultural underdeveloped part of the country. This is particularly evident during and after the Great Depression which was much more serious and lasted much longer in the underdeveloped parts of Yugoslavia than in the developed ones (36).

The developmental differences widened during the Second World War. Guerilla activities concentrated in the underdeveloped parts of Yugoslavia, particularly in Bosnia-Herzegovina. The military operations of the Nazi occupants against the partisans caused large losses in both fixed assets and population. The industry of the developed parts of Yugoslavia thrived because it produced military equipment for the German occupants and was protected by them.

As a result of this historical process, post-war Yugoslavia inherited enormous regional contrasts. National income per capita in the most developed region — Slovenia was more than three times greater than that of Kosovo (the least developed part), 2.8 times greater than in Macedonia, and 2.4 times greater than in Montenegro. These differences were still greater for industrial production. Net output of industry per capita in Slovenia was 8 times greater than in Montenegro, 7 times than in Macedonia, and 3.3 times than in Bosnia-Herzegovina. These differences were accompanied by sharp interregional inequalities in the basic infrastructure — highways, railroads, electrical lines. For example in 1950, the density of paved roads was 64 times greater in Slovenia than in Macedonia (7). There is a lack of proper statistical information for the period directly following World War II but the available data does show these differences (see Table 1 and 2).

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cedonia, Montenegro, and Slovenia) and two autonomous provinces inside the republic of Serbia (Kosovo and Vojvodina) and the rest of Serbian territory described as Serbia proper.

Tab. 1. Some characteristics of regional differentiation of Yugoslavia, 1946  
 Niektóre wskaźniki regionalnego zróżnicowania Jugosławii w roku 1946

Value of fixed assets per capita (Yugoslavia=100) *					Consumption of electrical energy in industry per capita (Yugoslavia=100 **)
	A	B	C	D	
Croatia	124.7	111.4	127.1	130.1	149.1
Slovenia	179.7	258.1	240.5	157.6	377.2
Serbia ***	92.5	80.7	76.3	96.5	54.2
Bosnia-Herzegovina	60.1	77.5	64.2	52.8	74.8
Montenegro	60.1	16.8	65.3	62.6	7.9
Macedonia	60.8	29.8	65.2	63.0	35.1

\* In constant (1962) dinars.

\*\* In 1951.

\*\*\* The whole territory of Serbia; separate data for its three regions are inaccessible. A — whole economy; B — industry; C — transportation and communication; D — unproductive sphere.

Sources: *Neki pokazatelji...*, pp. 29—30; Vinski (1966), pp. 423—424, 431—433.

The historically inherited contrasts were complicated by the multinational character of Yugoslavia. Interregional differences therefore became international. The territorial border between the developed and underdeveloped areas was at the same time the ethnic border among the Yugoslav nationalities. Slovenes, Croats, Hungarians, and partially Serbs (Northern) lived in developed areas. Muslims, Montenegrins, Albanians, Macedonians, and Croats and Serb sfrom Bosnia-Herzegovina shared the underdeveloped territories.<sup>2</sup> The inhabitants of the developed regions were mostly Roman-Catholics, while Muslims and Orthodox-Christians were concentrated in poorer areas. Regions were also separated by language and alphabet. Moreover, many neighboring nations were historical enemies. Therefore, the failure to diminish interregional economic inequalities "could threaten the integrity of the Yugoslav community and throw into question the common interests of all its regions and nationalities" (2).

Regional policy, particularly the direction of investment, was also related to the character and level of resources. In the underdeveloped territories concentration of energy resources, metal ores and wood combined with a large pool of potential labor have influenced their investment policy. These regions contained 42.4% of the Yugoslav hydro-energetic potential, 47.0% of the brown coal reserves, 79.4% of the lignites, 98.3%

<sup>2</sup> In 1971, the Yugoslav census introduced the category "Muslims in the ethnic sense". This category covered Slavs (Croats and Serbs) whose ancestors under Turks had converted to Islam. This group was concentrated mainly in Bosnia-Herzegovina. Wide analysis of Yugoslav national problems can be found in Ramet (30).

of the iron ore, 81.4% of the zinc and lead ores, 45.3% of the wood, and most of the manganic ore (10, 31, 39).

All these factors influenced the active regional policy of Yugoslavia. Its general task was to accelerate development of the underdeveloped regions. That was impossible without a help of richer regions. The sources of investment in the underdeveloped regions were very limited especially in comparison with the requirement for the development of highly capital-intensive industries (basic infrastructure i.e. transportation, production and distribution of energy, etc.).

#### CENTRALLY PLANNED REGIONAL POLICY

During the post-war years additional sources of investment were sent to underdeveloped regions but the system of financing evolved from being direct, centrally organized and controlled to that of credit institutions. The second element of regional policy, that of additional financing of consumption of public goods and services in underdeveloped regions, existed during the post-war period without much change. These sources were granted for underdeveloped regions by the Federal budget subsidies. Changes were made in scale and scope rather than in the form of subsidies.

Investment decisions were made directly by the Federal government until 1956. Up to 1952 the Yugoslav economic system was very similar to that of the Soviet bloc. Changes started in 1950 but they did not influence the system of investment allocation. The first Yugoslav five-year plan (the last year of that plan was 1951 but planned tasks were prolonged for 1952) established a higher level of investment and economic growth for the underdeveloped regions. For three underdeveloped regions, namely Bosnia-Herzegovina, Montenegro and Macedonia, planned growth of investment and industrial production were way above the Yugoslav level. For Bosnia-Herzegovina they were 38.5% and 110.0% above the country average, for Montenegro 50.0% and 130.0%, and for Macedonia 53.8% and 426.0% respectively (24).

Also, location decisions and selection of investment priorities were then being made by the Center. Special priorities were given to so-called productive investments (investment in the sphere of material production) particularly towards the manufacture of the means of production.

The following years were not covered by any long-term plan. One-year plans did not offer a stable regional policy. However, new developments were evident. First, investment subsidies were replaced by various forms of credit. Second, attempts were made to connect sources with

local (regional) governments with the aim of increasing their interest and responsibility for efficient investment. In order to realize that purpose the Federal government stopped the interest payments paid on credits by underdeveloped regions. These regions could use that money on building their own investment funds. The third feature involved changes in the determination of the underdeveloped area. The territory of Serbia as well as some parts (counties or communities) of Croatia and even Slovenia were added to the previous three republics. The last changes lasted only two years and in the last year of the period (1956), special treatment was limited to only two regions — Montenegro and Macedonia. Despite the above changes, the allocation of funds for faster development of underdeveloped regions (both subsidies and credits) was done in the way typical of a centrally planned economy. Subsidies and credits were allocated administratively for investment projects selected by the central government. This was done in the last two years by the General Investment Fund, the central institution created especially for financing prioritized investments.

The regional policy of the first post-war period did not succeed. The gap in national income per capita between the developed and underdeveloped regions increased (see Table 2). The numbers also show that all agricultural regions, both developed and underdeveloped, had lower rates of economic growth. That is why the new five-year plan of 1957—1961 put special emphasis on the three mainly agricultural regions (i.e. Serbia

Tab. 2. Per capita national income by region in 1947 and 1956\* as a percent of the Yugoslav average)  
Dochód narodowy per capita w regionach Jugosławii w 1947 i 1956 r. (w procentach średniego poziomu dla kraju)

	1947	1956	Increase in national income per capita, 1947—1956, 1956=100
Yugoslavia	100	100	134.7
Croatia	104.8	119.8	153.9
Slovenia	157.2	187.9	161.0
Serbia proper	102.5	88.2	115.9
Vojvodina	126.1	106.1	113.4
Developed regions	114.1	119.6	141.2
Bosnia-Herzegovina	71.4	75.5	142.5
Montenegro	52.7	61.5	157.2
Macedonia	69.4	71.3	138.5
Kosovo	58.1	45.7	105.9
Underdeveloped regions	67.5	59.5	118.7

\* In constant (1959) dinars.

Source: M. Jelić, *Kriteriji, metodi i organizacija industrializacije medovoljno razvijenih područja Jugoslavije*. Beograd: Savezni zavod za privredno planiranje, 1965, p. 5.

proper, Vojvodina, and Kosovo). It was also the first time when help was extended to an area smaller than a republic (Kosovo).

The second five-year plan initially covered the period 1957—1961; but the objectives of the plan were realized a year earlier in 1960. This period was characterized by so-called "guaranteed investments" which were aimed at stabilizing the additional sources of funds and increasing efficiency. The system was created to address the volatility of the sources of additional funds in the one year plans. The new system guaranteed sources only for tasks designated by central decisions with specified location and structure of investment as well as accepted expenditures. It was still centralized but with its long-term priorities and long-term guarantees, it allowed the use of sources more efficiently and with greater responsibility on the part of the underdeveloped regions.

#### MARKET REFORMS AND REGIONAL POLICY

In the early sixties, Yugoslavia experienced radical changes in its economic and political structure. The first of these changes occurred in 1961. State monopolization of foreign trade was abolished. Instead of many exchange rates for dinar (Yugoslav currency) one was introduced. The financial system was reconstructed, and the trade-union's control over the level and differentiation of wages was abolished. The last changes occurred in 1965. Investment funds were transferred from the central and centrally controlled institutions to enterprises and banks. The role of the General Investment Fund was replaced by the banks in 1965. As a result, the participation of public sources from various levels of government in the total investment of the socialized sector decreased from 67.2% in 1960 to 15.5% in 1970. In the same period the participation of bank credits increased from 0.9% to 51.1% (25).

The reforms were reflected in the regional policy of that period which consisted of two elements: 1) 'guaranteed investments' begun in the previous period; 2) a newly created fund — the Federal Fund for Development of Underdeveloped Regions. This Fund, created by the Federal act on the plan of socio-economic development in 1961—1965, was a part of the General Investment Fund. The most important change was the full connection of that Fund with underdeveloped regions. The authorities of the underdeveloped regions were using credits from the Fund on the basis of investment efficiency. They were giving credits in accordance with the general credit system that existed in their territories. There were some restrictions related to the Fund — such as the general instructions on how to utilize the Fund sources. The Fund financed faster development

of Montenegro, Macedonia and Kosovo, as well as some parts of Serbia proper, Bosnia-Herzegovina and Croatia.

The most significant change related to the creation of the Fund was the decentralization of investment and the shift of investment management from the central government to the regions. In 1961—1965, sources from the Fund formed 48.6% of the total amount of help for the economy of underdeveloped regions. This played an important role in their development constituting 14.3% of total investment predicted for these regions for 1961—1965 (40).

The problems of the underdeveloped regions rose as one of the primary economic concerns during the early sixties. As a result, the new Yugoslav Constitution of 1963 declared that the Federation would ensure the sources for faster development of underdeveloped regions. The same Constitution also described the obligation of the Federation (Federal budget) to support a proper level of public goods and services in the underdeveloped regions. It was the beginning of a new Yugoslav regional policy, the essence of which survived until 1990.

Constitutional settlements were developed in 1965 in the form of a special legal act on the creation of the Federation's Fund for Crediting the Faster Development of the Economically Underdeveloped Republics and Autonomous Provinces, published in *Službeni list SFRJ*, 1965, no. 8. It was the result of the previous experience which showed that elimination of regional differences is a very long process. On the other hand, a continuation of previous methods would be incompatible with the new economic system created by the reform of 1965.

What were the guiding principles of the Fund which existed twenty five years with only minor changes?

The first was the separation of the Fund's resources from the general rules of the credit allocation. These resources were then sent to aid the economies of underdeveloped regions.

The second was a restriction on the area where the Federation could use these financial resources. It was restricted to republics and autonomous provinces, which did not have their own possibilities of the proper economic development. These regions were incorporated into five-year plans by federal acts and consisted of: Bosnia-Herzegovina, Montenegro, Macedonia and Kosovo.

The third was the assurance of stable sources for the Fund. It was in response to one of weaknesses of the policy of previous periods, namely the instability of the sources and scope of help for the underdeveloped regions. The basic source of the Fund revenues were payments of the socialized sector which during twenty five years evolved from their initial forms of compulsory subsidies to obligatory credits or in later periods



joint ventures. The same federal acts (mentioned above) also established the percentage of social product that the socialized sector was obliged to pay for the Federation's Fund (16). This was one of the most important changes in comparison with previous periods. The new resolution was based on the constant proportion of funds for faster development of the underdeveloped regions to the social product of socialized sector. As a result, the amount of the Fund's resources was strictly correlated to the general level of economic development of the country (4).

To achieve accelerated development of underdeveloped regions, the Federal act established in the first five-year period (1966—1970) compulsory payments of 1.85% of the social product of the socialized sector. That amount was paid by socialized enterprises in all (developed and underdeveloped) regions. It formed a part of the obligatory payments of interest on fixed assets collected for investment purposes by the Federation. The Fund's help came in the form of low-cost credits. "According to this solution the credit relationship existed in this period only between the Federation and underdeveloped regions [...]" (4). Authorized commercial investment banks in particular underdeveloped regions gave final users (enterprises) very low-cost credits. Therefore, the sources of the Fund were not limited to obligatory payments (called fixed sources) but it also included so-called annual revenues from repayments of given credits. Other sources included interest on given credits and interest on parts of the Fund located in banks.

The revenues of the Fund were regulated by Federal law, but its distribution was defined by the Fund's board of governors which consisted of a president and twelve members. The president and six members of the board of governors were nominated by the Yugoslav federal parliament, the remaining were delegates from the six federal republics. It is then obvious that the central authority played a dominant role. In addition the director of the Fund was an *ex officio* member of the governing body.

In the first five-year period, the credits from the Fund were to be distributed in the following proportions: Bosnia-Herzegovina — 30.7% Montenegro — 13.1%, Macedonia — 26.2%, Kosovo — 30.0%. The real proportions were different. Bosnia-Herzegovina received 28.9%, Montenegro — 18.3%, Macedonia — 24.6%, and Kosovo — 28.2% (6, 18).

The creation of the Fund did not mean the elimination of the regional policy of the Federation. The Fund was created as an active institution with the aim of influencing the development of underdeveloped regions. For example, during the first planning period, the Fund influenced the economic development of the underdeveloped regions by varying credit conditions. The credits, called directed (special), were offered at a lower

interest rate and at much longer terms of repayment than the general ones (2% and 20 to 30 years versus 4% and 15 years). However, they were limited to specific kinds of investments such as infrastructure, production of energy, metallurgy, basic chemical industry, and paper industry, etc. All of these are capital-intensive industries related strongly to the natural resources of underdeveloped regions. Those credit conditions strongly influenced the structure of investment in underdeveloped regions. In 1966—1969, directed credits constituted 90% of the Fund's total credits when general credits and small credits for technical and personnel help were limited to 8% (18).

In 1966—1970, the interest rate averaged 2.1%, and the period of repayment was equal to 19.5 years and started 36 months after the end of the year for which the loan was granted (grace period). This meant favorable credit conditions especially when we compare them with the inflation rate of 10% per annum.

#### EVOLUTION OF THE FUND SINCE 1970

The 1971—1975 five-year plan brought some organizational changes in the Fund. As a result of Kosovo's demand, two members were added to the board of directors. Therefore, not only republics but also autonomous provinces (all eight regions) were directly represented (30). An important modification was made in the Fund's revenue accumulation procedure. The previous form of obligatory payments was replaced by compulsory loans contributed to the Fund by enterprises of socialized sector. In the earlier period, underdeveloped regions used the Fund's resources under the credit conditions but on the other hand, revenues from the socialized sector were in its possession forever. As a result, means of the Fund increased steadily and could increase the scope of help for underdeveloped regions (repayments of credits summed up with obligatory payments from socialized enterprises and continually increased the total amount of funds). The new procedure drastically limited the increase of Fund resources. The forms of federation help were restricted to the advantages which resulted from low interest rates and long periods of repayment. Generally, the new procedure meant a decrease in the participation of economy as a whole in resolving problems of underdeveloped regions.

In practice, the change was realized by the issuance of obligatory bonds which the enterprises of the socialized sector had to buy. Emission of the bonds was to approach crediting of the Fund to market conditions (24).

The second important change, introduced in 1970, was the treatment of Kosovo. As in the previous period, the Federal act designated the same four underdeveloped regions, i.e. Bosnia-Herzegovina, Montenegro, Macedonia, and Kosovo. Also, the Fund's governing body decided how to divide its means among underdeveloped regions. However, the Federal act gave special treatment to Kosovo, which remained to 1990. Between 1970—1990 Kosovo got funds in two ways. First, it received the amount established as a proportion of social product generated by the socialized sector (0.09% of social product). Second, it received a part of the resources collected by the Fund for all underdeveloped regions and divided proportionately by the governing body. In 1971—1975, the special treatment given to Kosovo increased its participation in the total aid from the Fund from 30% of its basic sources (established in the 1970's from 1.85% of social product of socialized sector) to 33.3% in total. The sum of funds at the disposal of Kosovo increased by 16.2%. The means of the Fund were in that period distributed ultimately as follows: Bosnia-Herzegovina — 32.4%, Montenegro — 11.4%, Macedonia — 22.9%, and Kosovo — 33.3% (16).

Another change in this period was an alteration of the Federation's priorities in the forms of variation of credit terms. The Fund ceased to play any active role in establishing trends of investment or utilizing of credits. The same credit conditions were assured for all kinds of investment (23). Only Kosovo, because of its enormous developmental difficulties enjoyed better credit terms. Both modifications, the same conditions for all kinds of investment and better credit terms for Kosovo became the stable elements of the Fund and survived to 1990. In 1971—1975, the general credit terms were as follows: interest — 4%, period of repayment — 15 years, grace period — 3 years after the end of the year of crediting. For Kosovo the same terms were: 3%, 19 years and 3 years. At the same time the Fund repaid the obligatory loans under the following conditions.: interest — 4%, period of repayment — 12 years, grace period — 3 years (6). It means that credit terms were better for lending enterprises than for the Fund. In other words, the Fund had to cover the losses which resulted from a difference in the conditions of borrowing money and the conditions of lending it for underdeveloped regions. The losses were covered from resources accumulated in the previous period.

The positive evaluation of the Fund was reflected in the new Yugoslav Constitution of 1974. A separate article, 258, was wholly devoted to the Fund.

Again, in the second half of the seventies, some changes in the organization of the Fund were made. The new statute converted the Fund into an

inter-republican agency. The number of members of the board of directors was reduced to eight with one delegate from each of the eight regions (30). This meant an increase in the role of the regions, at the expense of the federal government. The Federal act of 1976—1980 allowed the realization of part of the obligations of enterprises from the socialized sector in a completely new form. Instead of obligatory loans, 20% of the Fund's total revenues was to be secured by the self-managed pooling of labour and resources of the socialized sector. Instead of paying an obligatory loan with low interest, an enterprise could use that capital to organize in the underdeveloped region a new productive capacity together with the enterprise from this region. That facility would ensure the investor not only interest but also the delivery of materials, assembly parts as well as allow for greater specialization, utilization of economies of scale, etc. This solution was to increase the efficient utilization of financial help for the underdeveloped regions. In accordance with the idea of self-management, it also was to shift decision making to enterprises, i.e. the real creditors.

For the pooling of resources there were preserved all advantages related to the Fund's credits such as long periods of repayment (8—12 years with 3 years of grace period), a low interest rate (4—12 percent) and warranted resources (4). In later periods this method became common practice.

In the analyzed period, the planned participation of 20% of pooled resources was not realized. The failure resulted from a lack of preparation on the part of the enterprises from developed regions to combine the resources with organizations from underdeveloped areas. Therefore, almost all aid was funneled through obligatory loans and Fund credits. The pooled resources consisted of only 2.2% of the total obligations to the Fund (38).

Other features of the Fund were similar to that of the previous period. However, the special treatment of Kosovo was increased. The Yugoslav parliament decided to devote 0.17% of the social product directly to Kosovo and 1.80% to all four underdeveloped regions. Also, the Federal parliament decided to exclude 0.03% of social product from general funds (1.80% of social product) and devote it on the basis of a multilateral agreement to financing a hydro-energetic system Ibar-Lepenac. Therefore, the total funds were distributed as follows: 1.77% of social product for all four regions, 0.20% for Kosovo (0.17% for general needs and 0.03% for Ibar-Lepenac system). The distribution of general funds to the four underdeveloped regions was decided as before; by the Fund's governing body. Most of them were devoted to Kosovo and the final distribution of all funds were as follows: Bosnia-Herzegovina — 30.5%, Montenegro — 10.8%,

Macedonia — 21.6%, and Kosovo — 37.1%. The share of Kosovo increased by 11.6% in comparison with the previous 5-year period (4).

The general credit terms were as follows: interest 4.166%, time of repayment 14 years. Conditions for Kosovo were better: interest of 3%, and a period of repayments of seventeen and a half years. The terms for obligatory loans contributed by enterprises of the socialized sector were different, as in previous years. The Fund paid them 4% interest with a repayment of 15 years. We can see that the differences between credit terms for lenders and conditions for borrowers (underdeveloped regions) were not as substantial as before. The Fund could not cover these differences for increased sums of credits. The resulted financial burden of 2.4 billion dinars that accumulated in 1971—1975 was in the next period taken over by the Federation (18). The beginning of repayments started for all debtors (including Kosovo), as well as lenders three years after the end of the year of crediting or lending. The same principle existed during all of the following periods.

The first half of the eighties did not bring any essential change to the Fund. The basic principles remained the same. General resources of the Fund were formed at a rate of 1.50% of the social product generated by the socialized sector and an additional 0.33% of that product was devoted solely to Kosovo. For both parts of the Fund, 50% of the total was to be secure under obligatory loans and the other half by pooling of labor and resources of economic units. As in the previous period, the federal government allowed to utilize up to 100% of the obligations by pooling procedure (therefore 50% predicted by the law can be treated as a planned minimum). The realization of the plan of pooling resources was much better in 1981—1985 than in the previous five years. But 50% of the planned total obligation (185.5 billion dinars) was not realized. Only 101.7 billion dinars (54.2% of planned amount) was utilized in this way (4). Like before, Kosovo received additional resources of 0.03% of the social product for the Ibar-Lepenac system. Therefore, the participation of Kosovo in the Fund's general resources, which was 30%, increased to 43.5% of the total Fund's resources. The proportions for other regions were as follows: Bosnia-Herzegovina — 27.4%, Montenegro — 9.7%, and Macedonia — 19.4% (9).

Credit terms already allowed for repayment of all obligatory loans by the Fund's own revenues. For lenders there was a 5% interest rate and a 13 year term of repayment. For borrowers the rates were 5.5% (for three regions) and 4.5% (for Kosovo), and the terms of repayment 12 or 15 years respectively (20).

The terms for the part of the resources pooled on the basis of agreements between enterprises from developed and underdeveloped

regions were fixed by parties to the contract. Also, these contracts generally offered beneficial credit terms.

The last five years prior to 1990 brought only a few modifications to the idea and institution of the Fund. The tendency to increase the proportion of funds accumulated by the pooling of resources from developed and underdeveloped regions on the self-management basis was strengthened. The 1986—1990 plan stipulated that from the Fund's total resources formed as 1.56% of the social product of the socialized sector, 60% (50% for Kosovo) would be obtained through the pooling of labor and resources and the rest through obligatory loans. As before, the plan permitted to increase that proportion if interested economic units decided to do so (29). In the last few years, the proportion of pooled resources in the Fund was much greater than in the previous period. In 1986—1988, 57.8% of the Fund's total resources were obtained through the pooling procedure. For Kosovo this proportion was lower (56.7%), but in 1988 this region also achieved the share stipulated by the plan (60.5%). Most of the agreements were prepared on the basis of credit and no income share. This means that they did not offer the special advantages of joint ventures and played a role similar to regular credits from the Fund (13).

Joint ventures of developed and underdeveloped regions mean a completely different quantity of help. The possibility of using modern technology, know-how, and professional assistance form a part of these forms where regular credits offer only financial aid. Therefore, the institution of interregional joint ventures (pooling labor and resources in official Yugoslav terminology) was included into the Yugoslav Constitution (Amendment XXXIV of 1989) as a part of the Fund's duties. "In contrast to the previous formulation (article 258 of the SFRY Constitution), the federal Fund is to stimulate economic development in underdeveloped republics and autonomous provinces not only by credits but also in other ways. The Fund has the duty to stimulate for this purpose the pooling of labor and resources by organizations of associated labor." (35).

These were not the only changes made in the last discussed period. One novelty of that period was related to the special duties of the Republic of Serbia. According to the new law, the portion of resources formed in her territory and devoted to the faster development of Kosovo should be realized directly through the pooling of labour and resources of enterprises from the two developed regions of the republic (Serbia proper and Vojvodina) and resources of organizations from Kosovo. To realize this plan, the parliaments of Serbia and two its provinces prepared the social agreement (38). The resources of the Fund were to be distributed in the following manner: Bosnia-Herzegovina — 25.2%, Montenegro — 8.9%,

Macedonia — 17.8%, and Kosovo — 48.1% (9). In order to stimulate investment, changes in the fiscal policy were also prepared. On the basis of the agreement of all republics and autonomous provinces, all enterprises were released from paying income taxes on the part of income invested in underdeveloped regions (29).

As was previously explained, the Fund was steadily losing its active role in the regional policy. In the last years, its real influence was limited almost completely to the establishment of the proportion of funds distribution. The other functions were limited to book-keeping activities. In 1990 moderate effects of the long-term regional policy caused the correction in the approach to this institution. In the program of economic reform for this year prepared by Yugoslav Federal Executive Council, the transformation of the Fund was predicted. "This transformation is designed to effect adjustments to new socio-economic relations in which joint ventures, on the principle of shared risk... are designed to become the principal method of accelerating the development of economically underdeveloped republics and SAP Kosovo... In the system of accelerating economic growth, the Federal Fund as the principal instrument in the implementation of this policy would be transformed into an institution in an active developmental role, whose basic functions would be to stimulate, coordinate, provide information and carry out control. In this sense, organizational mechanisms of the transformed Federal Fund would require the existence of a federal agency, a network of agencies in the republics and provinces, which would stimulate economic agents to invest in economically underdeveloped republics and SAP Kosovo." (28). The active role of the new Fund's agencies was to be performed by working out criteria for investment subsidies, developing methods and procedures of project evaluation, co-financing investment, participating in education of expert personnel, granting professional and technical assistance, etc. This was a return to the ideas of the first period of the Fund's activity (1966—1970) when credit terms were differentiated according to field of investment. On the other hand, the differentiation of terms had been prepared administratively in the late sixties, when new regulations were adapted to market principles (28).

#### OTHER FORMS OF REGIONAL POLICY

The most important and best developed form of the Yugoslav regional policy was the Federal Fund. There were also other forms. During all periods, the *ad hoc* forms were organized to help particular regions or projects of special importance to them. But one stable institution of great

influence existed since World War II. There were social sources devoted for financing social services in underdeveloped regions, created as a part of the federal budget. In 1963, the obligation to create those kind of sources by the Federation was first introduced into the Constitution (Article 123). In the Constitution of 1974, it became a part of a distinct article, 258, which was wholly devoted to underdeveloped regions. The Federation had to secure necessary sources for regions (republics and autonomous provinces) which could not finance their social services from their own sources. The Federal act was to describe conditions for this aid (5, 17).

In the late seventies, a new rule to stabilize resources from the federal budget was adopted. Namely, these resources were allocated on the basis of the established percentage of the social product of Yugoslavia. This rule established a connection between the amount of available resources and the actual state of the Yugoslav economy. It also allowed for the continuous supply of funds even during periods of high inflation. The basis on which the resources were determined was wider than that for the Federal Fund, since it included the private sector. However, this did not make much of a difference because the Yugoslav economy was mostly socialized (the participation of private sector in the Yugoslav social product was equal 21.2% in 1965, and 13.0% in 1988).

In contrast to the Federal Fund, the additional source of financing social services was organized as non-repayable contributions from means separately classified in the Federal budget. These resources were divided into the general contributions intended for financing social services in all underdeveloped regions and contributions with prearranged recipients. The first part was distributed among all four regions with the general purpose of matching their levels of consumption with the level of consumption in the region closest to the Yugoslav average — in practice with Serbia proper. The second one was designated for special purposes in selected regions. During the 25 years two regions were benefitted by this institution: Kosovo (for development of the material basis of social services) and Montenegro (by reason of its small number of inhabitants and resulted in small density of population). The sums of these contributions circulated at about 0.1% of the overall social product of the Yugoslav economy (17).

It is important to emphasize that additional contributions for financing social services in underdeveloped regions expanded their possibilities for faster economic development. This additional financing not only allowed for the construction of objects for social services but also for the release of their own accumulation for investment and development of the economy. In this way the institution of additional financing of social services



Tab. 3. Additional resources (general and prearranged) of the Yugoslav federal budget directed for financing social services in underdeveloped regions and their disbursement

Dodatkové šrodky budžetu federalnego (ogólne i o specjalnym przeznaczeniu) skierowane na finansowanie usług socjalnych w regionach słabo rozwiniętych i ich podział

	Years			
	1966—1970	1971—1975	1976—1980	1981—1984
Share of additional resources in social product (in percent)	0.9 *	0.83	0.93	0.79 **
Share of underdeveloped regions in total value of additional resources (in percent)				
Bosnia-Herzegovina	40.6	40.3	35.8	29.8
Montenegro	11.4	10.4	12.4	11.1
Macedonia	20.5	18.5	16.3	13.6
Kosovo	27.5	30.8	35.5	45.5

\* With the exception of 1963 when the share was 1 percent.

\*\* Average for 1981—1985. These sources amounted to 0.85 percent of the social product in 1981. Allocations for every subsequent year until 1985 were reduced by 0.03 percent.

Sources: Blagovčanin *et al.* (1986), pp. 36—38; *Jugoslavija...*, pp. 194—195, Kozłowski (1982), pp. 91—92.

also became an indirect form for stimulating faster economic development (4). The role of that additional financing can be seen properly if we remember that in various years, it constituted between one third and a half of total value of the Federal Fund allocated for faster economic development of underdeveloped regions.

The accumulation and distribution of aggregate resources (both general contributions and contributions for prearranged targets) for additional financing of the social services in underdeveloped regions is presented in Table 3. It is important to add that difficulty in accumulating adequate amounts of money by the Federal budget in the last decade limited the real scope of help for social services in underdeveloped regions (16).

Generally, the other instruments of aid for underdeveloped regions had an irregular and unstable character. Therefore, a full discussion of them would be too detailed. Let's turn our attention to two forms which accompanied the Yugoslav regional policy in 1965—1990 in different degrees. One was foreign credits and the second was the extraordinary treatment of the least developed area — Kosovo. The role of foreign credits in the development of underdeveloped regions grew systematically. The most important of them were credits from the International Bank for Reconstruction and Development (World Bank). In 1966—1970, 33% of them were directed to underdeveloped regions. That proportion in-

creased steadily during the next periods, and the last five-year plan (1986—1990) stipulated 100% for these regions (4, 16).

The special treatment of Kosovo displayed itself in different forms. For example, after the first five years of the new regional policy (1966—1970), the Federation took over some obligations of Kosovo connected with internal and foreign loans. This and other similar actions were also taken in the following periods. In 1981—1985, all forms of extraordinary aid the Federation gave Kosovo varied from 15.7% (in 1982) to 19.8% (in 1981) of combined sources of the Federal Fund and federal contributions for social services. These forms included resignation from the financial obligations toward the Federation, repayments of foreign credits by the Federation, resignation from repayments related to the Fund or deferring them, credits for circulating capital goods, and others (16). The other regions sometimes participated in helping Kosovo, i.e. in 1981—1985, their no interest loan for the Federal Fund allowed Kosovo to defer payments for the next five years (4).

#### EFFICIENCY OF REGIONAL POLICY

How efficient was Yugoslavia's regional policy? This question is very difficult to answer because of the influence of many environmental factors which cannot be excluded from the analysis. In the case of the Yugoslav regional policy these factors were of special importance. The drastic differences in the level of economic development, historic heritage, national differentiation, demographic problems, and natural resources all influenced the economic outcome. Therefore, the simplest measures such as social product are not sufficient for this evaluation.

The efficiency of the policy can be measured by changes in the position of the regions in the Yugoslav economy. A simple measure of the success of the policy is the change in proportion of the social product realized in a particular region to that of the social product in the Yugoslav economy as a whole. These proportions show that the general task of the Yugoslav regional policy was not realized (see Table 4). In the postwar period the underdeveloped area as a whole decreased its proportion in the overall social product instead of targeted increase. The decrease of less than one percentage point is not substantial yet contradicts with the declared policy. This decrease is fully associated with the period of central planning and centrally distributed and controlled funds. The period since 1965 when the Federal Fund functioned brought small improvement in the position of underdeveloped regions. The picture is similar if we use current instead of fixed prices.

Tab. 4. Share of republics and autonomous provinces in social product of Yugoslavia (in percent)\*

Procentowy udział republik i obwodów autonomicznych w produkcie społecznym Jugosławii

	Years				
	1947	1955	1965	1975	1988
Croatia	25.0	28.0	26.5	26.0	25.4
Slovenia	14.9	15.3	15.6	17.1	16.7
Serbia proper	25.2	23.9	24.9	24.4	25.0
Vojvodina	10.5	9.4	11.0	10.7	10.4
Developed regions	76.6	76.6	78.0	78.1	77.5
Bosnia-Herzegovina	13.8	14.1	12.9	12.8	12.8
Montenegro	2.2	1.9	2.0	1.8	2.0
Macedonia	5.1	5.3	5.1	5.6	5.6
Underdeveloped regions	23.4	23.4	22.0	21.9	22.5
Kosovo	2.3	2.0	2.0	2.2	2.2

\* In constant (1972) dinars.

Sources: Blagovčanin *et al.* (1986), p. 85; *Jugoslavija...*, p. 204; *Statistički godišnjak Jugoslavije 1989*, p. 424.

The general picture is incomplete without some comments about particular regions. In 1988, most of them shared similar proportions of social product as they did forty years ago. Two of them, one developed (Slovenia) and one underdeveloped (Macedonia) increased their shares. Slovenia, the most developed region, considerably strengthened its position. It grew faster than the economy as a whole, both during the years of central planning and in the time of market oriented economy. The particular position of Slovenia is also confirmed by a complex multi-factor analysis (3). Macedonia, which also improved its position, is the only underdeveloped region associated for a very long time with light consumer industry, especially tobacco, textiles (cotton) and food processing. Lower capital intensiveness of these industries allowed for the more efficient utilization of limited resources. It was of particular importance after 1970 when regions could freely decide on the structure of investment. Therefore, the improvement in the position of Macedonia is connected with this period (17).

The region that evidently lost its position in the creation of social product is Bosnia-Herzegovina. We can observe the gradual decrease in its position from the late fifties. In the early fifties, Bosnia-Herzegovina strengthened its position as a result of the political situation. In 1948, after the break with Stalin and Kominform, Bosnia-Herzegovina, a region located inside the country far from all land borders, was treated by Yugoslav leaders as the safest place for new investment (17).

The situation of the underdeveloped regions seems more dramatic if we measure it by social product per capita (see Table 5). Underdeveloped

Tab. 5. Social product by region per capita (as a percept of the Yugoslav average) \*  
 Produkt społeczny per capita w regionach (poziom Jugosławii = 100)

	Years				
	1947	1955	1965	1975	1988
Croatia	104.3	136.4	120.3	123.3	128.1
Slovenia	163.2	194.8	183.1	205.2	202.8
Serbia proper	100.5	101.2	96.3	97.7	100.9
Vojvodina	99.6	104.3	112.5	115.1	119.6
Developed regions	109.9	123.7	117.8	122.2	125.9
Bosnia-Hercegovina	85.8	92.7	71.7	65.8	67.7
Montenegro	93.7	86.0	76.3	69.1	74.2
Macedonia	70.3	76.2	66.6	68.0	62.8
Kosovo	49.3	47.4	36.5	33.4	27.1
Underdeveloped regions	77.2	81.4	65.1	60.6	58.5

\* In constant (1972) dinars.

Sources: Blagovčanin *et al.* (1986), p. 87; *Jugoslavija...*, p. 204; *Statistički godišnjak Jugoslavije 1999*, pp. 421, 424.

regions which did not improve their situation as measured by their participation in the total social product, worsened it in terms of product per capita. The loss of almost 19 percentage points (from 77.2% in 1947 down to 58.5% in 1988) means a drastic worsening of their position. The process is characteristic of all postwar years excluding a few years in the early fifties. During that time, the concentration of investment in Bosnia-Herzegovina improved the statistics for the entire underdeveloped area. Comparison of data from Table 4 and 5 shows the importance of the demographic factor in underdeveloped regions.

The above picture is rather pessimistic. The declared goals were not realized and underdeveloped regions weakened their economic position as measured by social product per capita. It is also confirmed (for the shorter period of 1952—1979) by other related measures such as per capita personal receipts, household income, and wages (11). But it does not mean that we can unequivocally evaluate the Yugoslav regional policy. The following questions remain: What would the situation of underdeveloped regions be without the regional policy and to what degree did that policy neutralize the tendency to increase the regional differences?

The answer is not simple. The long period of analysis, unusually complicated social and economic structures, the lack of proper statistical data — none of these allow for a full and comparable picture of the Yugoslav economy, particularly in its spatial dimension. The official sources offer data from various years, based on different prices, very often not comparable with others. The special problem is related to the very high rates of inflation (especially in the last decade). For the last few years before 1990, the statistics based on constant prices are not available.

However, fragmentary information allows for the evaluation of the regional policy. The Fund participated in the total net investment at 16.3% in 1966—1970, 25.7% in 1971—1975, 20.2% in 1976—1980, and 22.1% in the first three years of the eighties (for 1966—1970 — current prices, for other periods — prices of 1972). The low proportion for the first period was related to organizational problems (4, 17). There is a lack of detailed information related to the role of the Fund in particular regions. On the basis of various data, the role of additional sources allocated in the underdeveloped regions can be highly placed. In the second half of the seventies and the early eighties, the Fund financed around 15% of gross investment in underdeveloped regions (from about 6% in Bosnia-Herzegovina to more than 50% in Kosovo) or about 21% of net investment (in 1985, the participation in gross investment reached about 33% for all underdeveloped regions and 100% for Kosovo) (14). It means that without the Fund's sources, underdeveloped regions could only achieve about 80% of their actual rate of growth. In that case, they could not keep their proportion in the Yugoslav economy.

Tab. 6. Gross investment in fixed assets as a percent of social product of socialized sector \*

Procentowy udział inwestycji brutto w środki trwale w produkcji społecznym sektora uspołecznionego

	Period			
	1952—1965	1966—1975	1976—1980	1981—1987
Yugoslavia	35.8	30.0	33.1	28.8
Croatia	30.3	26.5	30.0	20.4
Slovenia	29.4	24.6	29.3	18.1
Serbia proper	40.1	31.4	30.3	21.5
Vojvodina	25.9	24.7	34.0	19.7
Bosnia-Herzegovina	37.4	36.7	41.1	26.4
Mntenegro	74.8	49.0	57.1	35.8
Macedonia	64.4	37.9	37.2	18.3
Kosovo	53.0	57.9	62.8	41.1

\* In constant (1972) dinars. Separation of the period of 1981—1987 is justified by the fact that in that period the value of investment (in constant dinars) steadily decreased from year to year. That was the only such period in post-war Yugoslavia.

Sources: *Jugoslavija...*, p. 203; *Statistički godišnjak Jugoslavije 1989*, pp. 424—425.

The scope of help can also be measured in an indirect way (see Table 6). For the postwar period, the proportion of investment to the social product of the socialized sector in the underdeveloped regions was above the Yugoslav average. At the same time, "...the rate of investment in developed republics and Vojvodina was lower than Yugoslav average though accumulative and reproductive possibilities were greater for them

Tab. 7. Demographic investment in Yugoslavia by region \*  
 Inwestycje demograficzne w regionach Jugosławii

Regions	Share of demographic investment in social product				Share of demographic investment in total (gross) investment				Share in social product (1976—1980) of developmental investment	
	1952—1960	1961—1970	1971—1980	1952—1980	1961—1970	1971—1980	1971—1980	total (gross) investment		
Yugoslavia	3.9	4.4	4.0	14.2	14.0	12.4	33.1	29.1		
Croatia	2.5	2.5	1.9	10.6	8.5	6.3	30.0	27.9		
Slovenia	2.4	2.3	2.4	9.2	8.8	8.1	28.3	25.6		
Serbia proper	3.4	2.3	2.1	10.9	8.3	7.4	30.3	28.2		
Vojvodina	1.4	1.7	1.6	7.7	7.1	5.3	34.0	32.0		
Bosnia-Herzegovina	8.9	9.7	7.0	28.3	26.3	17.0	41.1	31.1		
Montenegro	21.8	10.6	12.6	34.2	22.7	24.6	57.1	46.6**		
Macedonia	8.8	8.8	7.1	25.1	17.4	19.6	37.2	29.8		
Kosovo	7.1	16.9	24.5	24.3	32.2	43.1	62.8	25.7		

\* In constant (1972) dinars. Calculation for the eighties is impossible because frequent decreases in the social product do not allow to build any reasonable figures for that period.

\*\* The high position of Montenegro can be explained by the location of this region between a large area of Vojvodina, Serbia proper, Kosovo, and Macedonia and the Adriatic coast. Investment in transportation in this region has been of crucial importance for the development of other regions and the Yugoslav economy as a whole. This kind of investment is generally highly capital-intensive. For the mountainous, geographically difficult region of Montenegro this intensiveness is particularly high.

Source: D. Avramov (1989), p. 81; Blagovčanin et al. (1986), pp. 109—112; *Jugoslavija...*, p. 203; *Statistički godišnjak Jugoslavije* 1989, p. 424—426.

than for underdeveloped regions. In other words, there was a considerable transfer of accumulation to narrow a gap of different levels of economic development." (32).<sup>3</sup>

It is also important to remember that the actual scope of help was greater. The considerable contributions from the Federal budget for development of social services in underdeveloped regions allowed them to use their own accumulation for strictly economic investment.

If we compare the significant help for underdeveloped regions offered by Yugoslav Federation with the moderate results of that policy the inevitable questions arises: What factors caused low effectiveness? One of them previously mentioned was the demographic factor. The inadequate results of the Yugoslav regional policy in underdeveloped regions measured in per capita terms are strictly related to the high rates of population increase. In this situation a large part of total investment must be sacrificed simply to keep level of socio-economic development achieved in previous periods. That kind of demographic investment drastically decreased the actual improvements in underdeveloped regions (see Table 7).

Demographic investment calculated on the actual incremental efficiency of capital constituted the large parts of total investment in underdeveloped regions (in the late eighties, more than 60% of the total investment in Kosovo was consumed by the natural growth of the population). As a result, the share of pure economic (developmental) investment in social product was quite similar in most of the Yugoslav regions. For Kosovo, the share of total investment was almost twice greater than that for Yugoslavia. However, the share of developmental investment was more than 10% lower than for the whole country. Therefore, Kosovo, in first place for the share of total investment, falls to second to the last for developmental investment.<sup>4</sup>

<sup>3</sup> For the period 1952—1987 (statistical data for the earlier period are inaccessible), the share of investment in social product was for all underdeveloped regions greater than the average in Yugoslavia (from about 20% for Bosnia-Herzegovina to more than 80% for Kosovo). The eighties were atypical for Yugoslav development due to the decrease of the social product (four times in 1981—1988) and cuts of value of investment related to economic depression. Measured in constant (1972) dinars, the real value of investment decreased steadily in this period. The cuts in investment strongly influenced Macedonia, the region with concentration of light, labor-intensive industry. For Bosnia-Herzegovina, the percentage share of investment in the social product increased again above the Yugoslav average in the second half of the eighties (*Jugoslavija...*, p. 202, *Statistički godišnjak Jugoslavije* 1989, pp. 424—426).

<sup>4</sup> In reality the share of demographic investment in social product and gross investment is greater. In Table 7, demographic investment is limited to the economic sector (sphere of material production in Marxist terminology) because only this one can be calculated on the base of efficiency of investment (incremental output-capi-

Tab. 8. Realized and potential increase of social product per capita by region, 1952—1987 \*

Zrealizowany i potencjalny wzrost produktu społecznego per capita w regionach Jugosławii w latach 1952—1987

	Realized		Potential	
	Percent 1952=100	Index Yugoslavia= =100	Percent 1952=100	Index Yugoslavia= =100
Yugoslavia	481.1	100.0	481.1	100.0
Croatia	535.9	110.7	459.1	94.8
Slovenia	500.8	118.6	533.0	110.1
Serbia proper	574.4	103.4	474.2	98.0
Vojvodina	680.4	140.3	588.7	121.6
Bosnia-Herzegovina	365.6	75.5	413.4	85.4
Montenegro	440.4	90.9	474.3	98.0
Macedonia	470.8	97.2	545.0	112.6
Kosovo	302.2	62.4	505.4	104.4

\* In constant (1972) dinars. The potential increase is calculated with the assumption that the demographic increase of population in all regions is equal to that of Yugoslavia as a whole.

Source: Papić (1989), p. 60.

A similar situation existed during all of the postwar years. Data for 1952—1987 show that all underdeveloped regions could have improved their situation if they had had more moderate rate of demographic growth. Kosovo then achieved 62.4% of the Yugoslav increase of social product per capita. It could have achieved 104.4% with demographic growth identical as for the whole country (see Table 8). This is clear if one remembers that in 1947 Kosovo had about half of the population of Slovenia, while forty years later the two were almost equal. The problem still continued in the last years of existence of the Federation (1, 2).

However, the demographic factor does not explain all the problems of the underdeveloped regions. Statistical data shows that efficiency of both investment and capital was lower in underdeveloped regions. The efficiency of capital (fixed assets) of the socialized sector in underdeveloped regions was always (with the exception of the early fifties) lower than average for Yugoslavia. The same efficiency was higher than average

(tal ratio). Real demographic investment should also include investment in the unproductive sphere. This sphere is excluded from the national income accounting and therefore, the demographic investment for it cannot be calculated (in 1952—1983 the "unproductive" investment participated in 30.6% in the total one). To keep the pace with the natural increase of population, social facilities in underdeveloped regions should have to grow at the rate of 2.2 to 2.6 percent. In the late eighties, they still would have to grow at the rate of 2.5% in Kosovo and about 1% in other underdeveloped regions. The share of demographic investment would also be greater if measured more properly in proportion to national income and net investment. Unfortunately, appropriate data are inaccessible.



Tab. 9. Capital efficiency of the socialized sector by region \*  
Efektywność kapitalowa w gospodarce uspołecznionej według regionów

Year	Yugoslavia = 100									
	1952	1960	1970	1975	1986	1982	1960	1970	1975	1987
Yug's'avia	0.426	0.480	0.438	0.408	0.339	100	100	100	100	100
Croatia	0.422	0.471	0.452	0.417	0.334	99.1	98.1	103.2	102.2	98.1
Slovenia	0.346	0.468	0.474	0.452	0.353	81.2	97.5	107.8	110.8	104.3
Serbia proper	0.413	0.535	0.479	0.433	0.401	96.9	111.5	109.4	106.1	120.0
Vojvodina	0.400	0.620	0.423	0.433	0.353	94.0	129.2	95.6	106.1	105.1
Developed regions	0.398	0.504	0.461	0.431	0.360	93.4	105.0	105.3	105.6	110.9
Bosnia-Herzegovina	0.508	0.397	0.367	0.349	0.383	119.2	82.7	83.8	85.5	82.3
Montenegro	1.146	0.425	0.318	0.257	0.229	269.0	88.5	76.2	63.0	62.9
Macedonia	0.564	0.436	0.435	0.376	0.336	132.4	90.8	99.3	92.2	99.4
Kosovo	0.441	0.410	0.312	0.300	0.236	103.5	85.4	71.2	73.5	69.9
Underdeveloped regions	0.540	0.408	0.371	0.340	0.283	126.8	85.0	84.7	83.3	82.3

\* In constant (1972) dinars. Efficiency (output-capital ratio) is measured as the ratio of social product of the socialized sector to the fixed capital of this sector.

Source: Blagovčanin et al. (1986, p. 114); Statistički godišnjak Jugoslavije 1989, pp. 412—413.

in developed regions. There was also the characteristic that the efficiency of capital remained in underdeveloped regions during almost all those years in similar proportion to the efficiency in developed regions (see Table 9). The exceptionally high efficiency in the early fifties can be explained by the low initial level of industrialization of these regions. As a result, the socialized sector in these regions was limited to a relatively few new industrial objects characterized by higher efficiency. We can explain the particular position of Montenegro — the typical region of private extensive farming (mountain pastures) in the same way. On the other hand, the developed regions shared many older industrial objects of lower efficiency. Slovenia, the most developed region, with many small factories from the nineteenth century had the lowest efficiency. The picture would be totally different if instead of just comparing the socialized sector we could compare the whole economies of both groups of regions.

The picture is similar if we compare the efficiency of investment in underdeveloped and developed regions. For more than thirty years, the efficiency was lower than Yugoslav average for underdeveloped regions and higher for the developed ones. These differences were observed in all periods. For 1952—1983, the Yugoslav efficiency of investment measured by the ratio of increase of the social product and investment was equal to 0.229. The efficiency for underdeveloped regions was (in percent of the average Yugoslav efficiency): Bosnia-Herzegovina — 83.4, Montenegro — 58.5, Macedonia — 83.0, Kosovo — 58.5, and for all underdeveloped regions — 76.9. The same efficiency for developed regions was: Croatia — 102.6, Slovenia — 117.9, Serbia proper — 107.4, Vojvodina — 117.0, and all developed regions — 108.7 (16).<sup>5</sup>

What were the reasons for this lower efficiency? The first was the concentration of less efficient (more capital-intensive) industries in underdeveloped regions (see Table 10). Industries with the efficiency lower than average for the country were highly concentrated in underdeveloped regions. This concentration was greater in all underdeveloped regions but was especially great for Montenegro and Kosovo. On the other hand, highly efficient industries were concentrated in developed regions.

This picture should be supplemented with the description of the internal structure of the various industries. That is, there was a concentration of the inefficient industries in underdeveloped regions. Further, these industries were characterized by inefficient stages of processing.

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<sup>5</sup> Economic recession (negative rates of growth) and hyperinflation (measured by a few hundred percent increase of prices) does not allow preparation for any rational interpretation of this efficiency for the late eighties.

Tab. 10. Share of industries of different levels of efficiency by region, 1982 \*  
 Udział przemysłów o różnym stopniu efektywności w regionach Jugosławii w roku 1982

	Percentage share of industries with efficiency of Yugoslav average		
	no higher than 50 percent	no higher than 100 percent	higher than 200 percent
Yugoslavia	7.8	32.3	24.8
Croatia	6.6	31.8	29.6
Slovenia	6.3	25.9	30.7
Serbia proper	9.1	30.7	22.9
Vojvodina	4.6	35.0	22.3
Developed regions	6.3	30.4	26.7
Bosnia-Herzegovina	9.2	35.2	18.4
Montenegro	23.8	50.1	20.0
Macedonia	5.8	36.6	17.8
Kosovo	16.0	46.9	16.4
Underdeveloped regions	19.1	37.8	18.6

\* The classification of industry was very broad in Yugoslav economy, it included mining and the crude treatment of primary products as well as manufacturing.

Source: Blagovčanin et al. (1986), p. 125.

Tab. 11. Proportion between higher and lower stages of processing by region, 1982 (as a percent of the Yugoslav average)

Proporcje między wyższymi i niższymi stadiami przetwórstwa w regionach Jugosławii w 1982 roku (w procentach, proporcje dla Jugosławii = 100)

	Proportion between higher and lower stages of processing for groups of industries *			
	Group I	Group II	Group III	Group IV
Yugoslavia	100	100	100	100
Croatia	116.4	108.6	101.1	95.0
Slovenia	165.8	197.3	122.7	93.0
Serbia proper	124.7	80.5	165.2	102.3
Vojvodina	97.5	81.3	369.1	162.5
Developed regions	127.0	98.0	130.0	102.9
Bosnia-Herzegovina	59.0	94.9	49.7	162.0
Montenegro	26.6	98.0	24.5	50.7
Macedonia	87.9	159.8	192.0	68.2
Kosovo	27.4	54.7	410.3	38.9
Underdeveloped regions	52.8	108.2	57.2	92.3

\* The proportion between social product of the higher stages of processing (A) and the lower ones (B). For Group I: A — fabricated metal products, shipbuilding, transportation equipment, electrical machinery and equipment; B — electrical complex and energetics. For Group II: A — food and kindred products, tobacco industries; B — agricultural production. For Group III: A — furniture and fixtures, paper and allied products; B — lumber and wood products. For Group IV: A — finished products from fabrics; B — textile mill products.

Source: Blagovčanin et al. (1986), p. 128.

The proportion between higher and lower stages of processing inside these industries was lower for underdeveloped regions (see Table 11). It means that these regions represented mainly the raw material stages which are typically capital intensive. The development of these industries did not allow for full utilization of labor, the abundant economic factor concentrated in the underdeveloped regions (4). This undoubtedly decreased the economic efficiency of both capital assets and investment in these regions. The lower efficiency of the raw material industries was in this case strongly related to the technological characteristics of these branches. Technologically, the raw material industries are capital intensive, and have to have lower efficiency in areas of scarce capital and abundant labor, which were represented by the Yugoslav underdeveloped regions. But in Yugoslavia, a second factor also influenced the lower efficiency of these industries. There was the policy of lower prices for raw materials to stimulate economic growth. The lack of statistical data does not allow us to evaluate the influence of this policy on the efficiency of capital assets and investment in underdeveloped regions. Partial analysis from the late sixties and early seventies (27, 34), suggests that this policy had strongly influenced the lower efficiency in the underdeveloped regions.

It is important to emphasize that at least since the mid sixties, the concentration of lower stages of processing industries in underdeveloped regions was not related to any pressure from the Federal government. The underdeveloped regions could independently create the structure of their economies (23).

One factor which is difficult to evaluate warrants mentioning. There were elements in the Yugoslav economic system which decrease the effectiveness of its enterprises. There was a powerful bias against the transfer of capital and technology from one enterprise to another. This bias caused the interregional immobility of capital, autarkic tendencies, and the multiplication of similar productive facilities (22). These tendencies existed in all regions, but for enterprises from underdeveloped regions it meant an additional decrease in efficiency. Entering the market later than those from the developed areas, they met additional barriers. Not only could they utilize the economy of scale but also the full utilization of existing capacities was impossible.

How can we finally evaluate the Yugoslav regional policy? There are two ways to answer this question. From the point of view of declaring targets this policy did not succeed. The most important task, reduction of regional inequalities, was not attained. On the other hand, it attained a doubtless and real success. That is, without this policy, regional inequalities would have drastically increased. From this point of view, the regional policy and its results can be evaluated positively.

## STRESZCZENIE

Tragiczne wydarzenia rozgrywane się od kilku lat na terenie byłej Jugosławii nie przekreślają istotnych osiągnięć, jakie notowała ona w wielu dziedzinach gospodarki i sfery socjalnej w poprzednich 45 latach swego istnienia. Jedną z tych dziedzin była aktywna polityka regionalna Jugosławii, wpływająca w istotny sposób na rozwój i sytuację różnych jej regionów (odpowiadających obszarowo republikom i okręgom autonomicznym). Evolucja tej polityki w ciągu całego okresu istnienia Federacji jugosłowiańskiej jest przedmiotem tego opracowania.

Omówione są przesłanki szczególnie aktywnej polityki regionalnej Jugosławii, takie jak historycznie odziedziczone różnice w poziomie rozwoju poszczególnych regionów, wielonarodowy charakter Federacji a także rozmieszczenie czynników produkcji (głównie siły roboczej i zasobów surowcowych).

Z punktu widzenia charakteru polityki regionalnej najważniejszą zmianą w gospodarce jugosłowiańskiej było jej urynkowanie na początku lat 60. Wpłynęło to zasadniczo na kształt polityki regionalnej. W okresie powojennym, poprzedzającym tę reformę, głównym instrumentem polityki regionalnej były decyzje inwestycyjne podejmowane na szczeblu centralnym. Urynkowanie gospodarki przesunęło fundusze inwestycyjne do przedsiębiorstw i banków. Polityka regionalna musiała przeto przyjąć nowe rozwiązania. Podstawowym, który przetrwał aż do rozpadu Jugosławii był specjalny fundusz Federacji finansujący przyspieszony rozwój regionów słabo rozwiniętych. Początkowe rozwiązania planu uległy znacznej ewolucji przedstawionej szczegółowo w opracowaniu. Omówione są tu także inne, poza funduszem, formy polityki regionalnej.

Opracowanie zakończone jest oceną skuteczności polityki regionalnej, omówieniem obiektywnych trudności, jakie stały na przeszkodzie w realizacji zadeklarowanych celów wyrównania poziomu rozwoju regionów. Z przeprowadzonej analizy wynika też jednak, że brak takiej aktywnej polityki regionalnej skutkował w Jugosławii drastycznym narastaniem i tak głębokich różnic rozwojowych.

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