The failure of regional development policies in Former Yugoslavia (1966-1990) - Population as key factor.

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Abstract

The disintegration of Popular Federal Republic of Yugoslavia, in 1990, did not only mean the end of a state-country, but also the end of a rather particular political and economically system, which originated and developed in its interior. In the present paper, the regional inequalities in Former Yugoslavia are examined, as well as adopted policies for achievement of regional convergence and their results. The main factors that led the country to unequal economic growth were historical, economical, political, and demographical. The regional policies that were applied in order to eradicate, existing inequalities-divergences in the first post-war decade, consisted of government-aided investments in the less developed regions by transferring of funds and resources (donations from state-budget, interest-free loans, etc.) By presenting and examining the economic growth of the regions at the beginning and at the end of period of application of regional policies (1966 and 1990), based on the indicators used by Yugoslav government (GDP, employment and fixed capital equipment), we concluded that even though an increase in the growth rates was accomplished, the provinces of Yugoslavia did not alter their initial hierarchy in terms of regional divergence. Subsequently, the regional policies that were adopted in the period of 1966-1990, failed to achieve their objectives. The reasons that led to this failure were not only of economic nature but also a result of not taking under consideration the demographic behaviours of the less developed regions. In order to examine this, particular accent will be given in the province of Kosovo, and the issue of demographic increase (absence of measures for control of births) which resulted in the failure of regional policies to the extend that “demographic investments” absorbed the total capital directed to this region.

Keywords: Former Yugoslavia; Kosovo; regional inequalities; regional policy; demographic evolution; demographics investments
Introduction

Yugoslavia was a federal state consisted of six republics and two autonomous regions and was founded in 1946, under the official name, "Popular Federal Republic of Yugoslavia". The republics (Slovenia, Croatia, Bosnia-Herzegovina, Serbia, Montenegro and Macedonia) and the autonomous regions (Kosovo, Vojvodina) had approximately the status of sovereign state, having their own governments and parliaments. Moreover the republics had the possibility draw themselves the strategy of their economic growth, factor that led to the growth of altered "national economies" inside the federal state.

During the times Yugoslavia applied enough economic models of organisation always in the frame of Socialism. The economic system that prevailed was functioning as a combination of market economy and centrally drawn economy. Based on the theoretical frame of "working self-management ", it took from the state the property of productive means, and turned in "social fortune", which belong henceforth in the total of Yugoslavian society. The federation gave the possibility of designing the economic growth in the republics keeping in her powers only the monetary policy and the possibility of partial control of prices. This economic "model", was based in the complete decentralisation, as much of power as of economy. However what was created actually had as result an economy without motives or sanctions that “drown” simultaneously so the market economy as the central economic planning. (Zecevic, Jovanovic, 1991: 35)

In the present article we will initially examine the regional inequalities and the reasons that led to this imbalance as well as the policy that the Yugoslavian state followed for the convergence. Then we will photograph the level of growth of regions in the beginning and in the end of period of exercise of regional policy (1966 and 1990), based on the indicators that used the Yugoslavian government so that we realise the success or not this policy. Finally we will try to see which the reasons were that led to the failure of this policy and to export certain conclusions.

1. Regional inequalities and regional policy

From the foundations of the state, Yugoslavia was a developing country, with big territorial inequalities and low degree of economic incorporation. The marks of her economic delay remained visible in all the duration of her existence as her dissolution having deep historical roots as the level of growth of democracies and autonomous provinces was unbreakably connected with their historical background.

Already from the foundation of Kingdom of Serbs, Croats and Slovenian (1918) the inequalities in the levels of growth of various regions were obvious, emanation of different historical conditions that experienced these regions. The northern and north-western regions of country that constituted members of Austrian-Hungarian Empire until the First World War (Slovenia, Croatia and Vojvodina), they had experience of industrial growth and market economy, even if in smaller degree than the other European countries. Thus when First Yugoslavia was created, these regions had an economic advantage. From the other hand, the regions in the south of Save and Danube, that were found under the Turkish power for a long period, were been formal rural regions very little influenced from the industrialisation.

Slovenia was the most developed from all the democracies with powerful industrial base, transportation and communication networks, but also with notable growth in the rest secondary and tertiary sector. Croatia with also well-organised secondary sector,
was following and in better position than Vojvodina, where the main productive sector had been the agriculture. Regarding the southern regions, Serbia, due to her precocious liberalisation was just making her initial steps to the industrialisation. Regarding all these Bosnia-Herzegovina it was closer to Serbia and as being for a period under Austrian possession, it allocated railway network and a lot of small companies they had begun to exploit certain natural wealth-producing sources. The "delayed" regions were Macedonia, Montenegro and the Kosovo. (Penev, 1991: 75-77)

However beyond the inherited inequalities in the levels of growth there was also other factors that "helped" in the maintenance of this initial unbalance. Such factors was the economic policy of the federation that left free the prices of industrial products (products of developed North) while practised control in the prices of raw material (main supplier of which was the less developed South). Equally important appeared to be also the demographic factor, the role of which is located mainly in the rapid increase of births in the least developed regions, where it had negative repercussions in the growth of these regions while it deteriorated the relation between active and supported population. Regarding the last one his contribution in the growth of Kosovo was decisive, as we will see later. (Penev, 1991: 75-77, 89,91)

The intensity of regional inequalities, that was something more than obvious, required the planning and the exercise of regional policy. First element however was the determination of typology of regions based on their growth level. The segregation that was selected was between developed and less developed or developing regions. The segregation in regions followed the administrative and political segregation in republics and autonomous regions. The measurement of regional inequalities became with three indicators that determined the growth level of each region based on the elements receiving by the local offices of all republics and autonomous provinces and which were:

- The GNP per capita of total economy, as representative criterion of effect of productive forces in the results the economy,
- the rate of employment in the social sector expressed in number of workers per 1000 residents or 1000 potentially active residents (individuals that find themselves in productive age, 14-65 years), and
- The added value of fixed assets per resident, or potentially active resident, as a representative criterion of growth of productive forces.

According to the above indicators and for the period 1966-1990 that we examine in the present article the segregation between developed also more developed regions has as appears in following map.
regulations that had been placed by the special federal laws) however it did not have no particular influence in the distribution and their management since these operations was found exclusively in the hands of local authorities and the associations of self-management. Apart from what mentioned before the Fund was in charge for the collection of annual revenues that emanated from expired debts and extending old loans as well as for the right usage of this capital. The height of resources that was attributed in the Fund by all the confederate republics was determined per programmatic period as percentage of GNP of social sector.

The capital that allocated the fund was distributed among the less developed regions with the proportion that was established in each growth plan that was worked out for a five-year programmatic period. Their distribution for period 1966-1990 appears in following table from which we can observe that the share of republics was decreased continuously in favour of the autonomous province of Kosovo, which it received the bigger percentage of capital from all the regions in this entire period.

<table>
<thead>
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<tbody>
<tr>
<td>Bosnia-Herzegovina</td>
<td>30,7</td>
<td>31,9</td>
<td>30,6</td>
<td>27,5</td>
<td>26,8</td>
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<tr>
<td>Montenegro</td>
<td>13,1</td>
<td>10,9</td>
<td>10,8</td>
<td>9,4</td>
<td>8,3</td>
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<tr>
<td>Macedonia</td>
<td>26,2</td>
<td>23,7</td>
<td>21,6</td>
<td>21,2</td>
<td>16,3</td>
</tr>
<tr>
<td>Kosovo</td>
<td>30,0</td>
<td>33,6</td>
<td>36,9</td>
<td>42,0</td>
<td>48,6</td>
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Source: Penev, 1991

The province of Kosovo had special treatment due to regional policy of the federation. This happened because Kosovo was not only the "least developed" region of Yugoslavia but also because its delay was evident even among the other less developed regions. Except therefore from the fact that it received the higher percentage from the capital of Fund, from the federal budget and from the loans that the country was taking from the abroad, a second bunch of rules also existed which concerned exclusively this province (Mladenovic, 1982: 16-17)


"Photographing" the growth level of regions in two time moments, in 1966 in the beginning of application of regional policy and in 1990, year of dissolution of the Yugoslavian state, based on the three indicators that it had fixed the Yugoslavian government we realise the followings:

In 1966, year that substantially begins the application of regional policy the picture that we acquire from the study of three indicators (Diagram 1) they are that Slovenia undeniably it is the most developed region of Yugoslavia, with very high per capita income, wide productive base and powerful workforce. Croatia and the Vojvodina they are found in the same roughly level of growth, with satisfactory per capita income and constant capital equipment and without particular problems of employment. Central Serbia, however, even if it is considered developed is found more near in the Republics of Bosnia - Herzegovina, Montenegro and Macedonia with a medium level of growth. The unique region which really is exceptionally "underdeveloped" is the Kosovo, which presents not only very low per capita income
but also the smaller possibilities of growth accordingly the level of other of two indicators. All more they result from the comparison with the mean of country. If however we see the place of all regions regarding Slovenia (the level of growth of Kosovo comparing with that of Slovenia is found in 1/5), the inequalities are more intense and concerning the growth level of all the remainder regions Slovenia can be considered the most developed one.

In 1990 the picture that gives us Diagram 2 does not appear is differentiated considerably by that 1966. The individual comparison of each region with the mean of country brings again in the top Slovenia with her per capita GNP to be double the mean and it shows as more "underdeveloped" the Kosovo region. The difference between Slovenia and Kosovo are henceforth almost 1:10. Observing the two "photographs" we can conclude that the growth level was worsened regarding the per capita GNP in the less developed regions and even more in the Kosovo, mainly because the rapid increase of population. The inequalities were accentuated also between developed and less developed regions while developed ones increased even more the level of their per capita GNP. The inequalities were also increased concerning the value of fixed assets per 1000 potentially active residents, while they remained immutable concerning the rate of employment in 1000 potentially active residents. Generally, we can say that the level of growth was improved only in the developed regions while in developing he remained immutable or worsened (Kosovo) make that opened still more the shear between developed and less developed regions. Consequently regional inequalities in the Yugoslavian space were accentuated during the period 1966-1990 while regions present tendencies of divergence based on all the indicators. The system of regional policy that was followed seemed to make the rich regions richer and poor poorest. The growth rate of GNP in the developed regions was by far higher those in the less developed regions and in combination with the already high existing growth level of GNP the inequalities were accentuated instead of blunting.
3. Weaknesses of regional policy- criticism for a failure

The inequalities that we realised between the growth levels of regions in the country, do not constitute exclusive phenomenon of former Yugoslavia but similar phenomena of territorial unbalances are present in all, almost, the countries of world and they are more intense in the less developed. Since former Yugoslavia was found in a medium level of growth and was a multinational country, with federal character, the inequalities were still more intense, until the point to become worrying.

The growth of former Yugoslavia, from the dues of Second World War as its dissolution, led to radical change of its economic base, level of economic growth, social and economic structures and level of life of population to each republic and autonomous province. Thanks to a rapid course of growth every one of the republics and the autonomous regions altered considerably the initial inherited growth level. Even if the per capita GNP, the value of constant capital and the rate of employment were increased in each region, the inequalities was also increased, as well as their medium annual rate of increase in the developed regions exaggerated by far that one in the less developed regions. The obliteration of inequalities between the regions of Yugoslavia was impossible, since the initial differences in the growth levels of regions were exceptionally high. Thus the older inequalities were maintained but as inequalities in another superior level of growth, that according to the character, the form and their consequences differed from them in the first stages of economic and social growth of country and approached henceforth the character of European inequalities. With any way, however was expressed the inequalities in 1990, what has importance is that they continued existing and being intense. This means that the regional policy that was followed in the period 1966-1990 failed to decreases the inequalities between the regions in Yugoslavia. In this point, we will examine the weaknesses that presented the regional policy of Yugoslavian state and what led, with certain other factors (demographic developments and administrative system) to this failure.

3.1 Economic and administrative factors

One of main weaknesses of regional policy was the passive role of Federal Fund. The role of this Fund was limited in the collection and the distribution of money without competence concerning the orientation and the co-ordination of investments. The planning of regional policy from the federation was insufficient, since it was limited in the discovery and disposal of capital for the realisation of investments without however determining an authority which will apply the governing lines for the orientation and the co-ordination of investments, or the control of their course. Specifically regarding the last one, control not existed neither for the course or effectiveness of investments, while were continued smoothly the maintenance and finance of problematic enterprises.

Moreover, the way with which functioned the federation allowed in the republics and the autonomous provinces to maintain a status of almost "independent state", which in combination with the different characters of republics and provinces (historical payments, ethnological composition, religion, cultural characteristics) led to the search of ways of consolidation of economic completion to their interior. The lack of united Yugoslavian market and economic system they impeded the growth of common economic philosophy and strategy from all the regions while the cut into pieces tax system created problems in the united economic activity. Thus each
republic and autonomous province tried to composes in her ground productive structures that would ensure her economic autonomy. This led to the realisation of investments that covered all the spectrum of at least industrial production, (from raw material and energy until production of consuming products of wide scale) and in fulfil of certain sectors. This behaviour of republics came contrary to the complement that is required for the total growth of economy of country and it created competitions between the republics and autonomous provinces.

The acquisition of cheap capital from the Fund, in combination with the general orientation of economy, to the growth of heavy industrial base, it contributed in the realisation of investments of capital intense. Following the general orientation of economy, as he had been shaped by the beginning of post-war period, to the growth of sectors of basic industry, the less developed republics and the autonomous province of Kosovo used the capital was provided for them by the Fund for the realisation of investments in sectors of basic industry (excavation, metallurgy, energy) that required large capital while at the same time they created very small number of places of work and had poorly contribution in the growth of per capita GNP.

The increased autonomy that allocated the republics and the provinces as well as the system of self-management assigned the competences for the decision-making for the realisation of investments in the local authorities. This element is perhaps the most important factor that led to the failure of regional policy since the local authorities most of the times realised false investments. The false investments however are not result only of the orientation of economy of regions to the completed structure and the creation of industrial base, but are owed and at a big part in the disability of local beginnings to consolidate a total economic strategy, to appreciate the efficiency of plans and to check their course of realisation.

The absence of any type of control of investments but also the non attribution of responsibilities for the decision-makers for the inefficiency of investments had as result to continuing the unverifiable investment activity and the squander of the public money, while the weight of maintenance and support of problematic enterprises was debited the federation. Despite the big number of failed investments no mechanism of attribution of responsibilities or imposition of sanctions existed, with the form of curtailments of expenses to the less developed regions, neither created any mechanism of control as to avoid such investments.

The economic policy of federation, which inevitably influenced the individual economies of regions, brings a big part of responsibility of failure of regional policy, not only via the directions, to the growth of industry, that imposed to the republics but mainly because control of prices that exercised. The system of prices that followed Yugoslavia indignant generally the regions where their economy was based on sectors of production of raw material and energy as well as those that allocated heavy industry. The system of prices that was determined exclusively by the federal authorities by the start of Socialist governance was released with the application of system of self-management. However certain prices, mainly those products that were related with the production of energy, continued be checked from federal authorities, which kept them in low levels so as to encourage the competitiveness in the exports of companies that made use of these sources of energy. Moreover the prices of products of wide consumption supervised by the federation and was prohibited their increase without the consent of authorities. Nevertheless, the economy of Yugoslavia became inflationist and the discipline in the agreements of prices always more tolerant, against the less developed regions supplied raw material and energy, which the prices were more inflexible in each change.
Another factor, that is related with the failure of regional policy and that has been also recorded by studies of OECD, is the small geographic mobility of capital. The developed regions did not wish to transfer the capital from their territory so the federation gave them the possibility to replace their contribution in the Fund with direct investments in the less developed regions with the process of collaboration of companies and from the two sides. This effort failed for two reasons. Firstly because the developed regions were generally unwilling to help in the growth of rests of regions while they considered that these did not have prospects of growth and avoided they place their investments in them. And secondly because, when finally realised collaborations with companies of the less developed regions their investments were restricted in the transport of old equipment of their factories in the new "investments".

3.2 Demographic factors

In this developmental process we should incorporate also a factor, which often is ignored in the planning of economic strategies, but constitutes most important element of growth, and is the demographic evolution. The demographic behaviour of population is very important for the development of country, since it has impact in its economic growth. The characteristics of population are able to determine, in some degree, the planning of economic policy. If for example the population of a country or a region is very juvenile the public expenses that concern the education and the Social Security are increased automatically, while at the same time increase the workforce. On the contrary if the population is ageing we have shrinkage of productive base, increase of expenses for care, Social Security etc. The evolution of population, the fertility, the mortality and the changes of ethnological composition have also great impact in the country growth. The demographic composition of population of Yugoslavia has large interest so much because the peculiar multinational composition of country, as the unbalanced evolution of populations into different territorial units. The differential development of population of each territorial unit but also each national team constitutes basic element the social and political developments at all the duration of life of Yugoslavian state (Avramov, Penev, 1988: 51-65) (Avramov, 1991: 27-42)

Yugoslavia is probably the unique case of European country where for forty years (1948-1990) the rates of increase of population are rapider in the less developed regions, resulting in surpluses of workforce in them and the simultaneous very often lack of workforce in the developed ones. The demographic explosion in these regions, with outstanding case of Kosovo (his population was doubled in thirty years, 1948-1977, and tripled itself in a fifty-year period), leads obviously to differentiated demographic structures. The increase of population in Kosovo and the maintenance of population change in such high levels makes this region not only the more fast increasing population of Yugoslavia of but also of entire Europe. While the immigration balance was negative at all the post-war period the high rates of population increase in Kosovo is result of the high natural balance. The fertility of women of Kosovo places it in the first place in Europe (exceeding even the Albanian women); their reproductive behaviours can bear a resemblance only to those of Turkish population or Turkmenistan and Uzbekistan, countries that had still not begun their demographic transition. The demographic explosion that took place in the region

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1 Characteristic of this prevailing was the statement of an economist in Belgrade: "it is as if we throw our money in a marsh" (Roux, 1992: 330)
of Kosovo led to the reduction of middle-aged population, the increase of percentage of young persons and inductively to the increase the workforce. (Kotzamanis 2000: 158)

The increase of workforce in the less developed regions and specifically in the Kosovo it places problems in the developmental process, particularly in combination with the growth of basic industry of capital intense, creating high rates of unemployment and phenomena of social polarisation relating the other republics. The increase of population leads inevitably to the reduction of per capita income, since this is the most important criterion of determination of levels of growth, it intensifies the inequalities.

The increase of population creates moreover the need of "demographics investments", which ensures the maintenance of growth level that has been achieved until now (always measured with the criterion of per capita GNP). As demographics investments is defined the social investments that result from the increase of population and concern the education sector, health and social policy (infrastructures of social equipment, social security, social accommodation). More specifically to the case of Yugoslavia the increase of population in the less developed regions led also to important increase of demographics investments. The most advisable example is of course, again the Kosovo, where the triplication of population in one fifty-year period led to the need of realisation of high investments to the social sector. A big part of capital that was intended for the economic growth of region via the manufacture of productive infrastructures was been disposed for the manufacture of infrastructures that concerned the sectors of education, health, Social Security and accommodation, with result the delay of economic growth. The problem of increase of population in the less developed regions is intensified because of the absence of policy for the control of births. Despite the big problems that created the rapid increase of population in the province of Kosovo since it was owed mainly in the increase of Albanian minority, the federation did not take action for the control of births. The demographic explosion in this province was from the more important causes of delay of her growth and had been pointed out and been the subject of severe criticism from the economists of Belgrade2. All the above elements prove that the economic policy should not ignore the demographic characteristics of region since these constituting decisive factors of the development.

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2 The newspaper of Belgrade "Politica" commented the fact with the title "is not possible to have European growth level with birth-rates of African type" (Roux, 1992: 332)
The failure of regional policy of Yugoslavian state is resultant of many and different factors. What makes impression is that the biggest part of factors that led to this failure are not related with the applied economic system and the economic policy but with the weaknesses of administration and special factors, that are often not taken into consideration, as the factor population in the case of Kosovo. Concisely we could say that the breaking to pieces of administration and the possibility of management of important capital and decision-makings from "incompetence" (local councils) as well as the absence of any control and mechanism of imposition of sanctions were the main reasons of failure of a well planned regional policy. More specifically in the case of Kosovo the absence of control of births, that led to the rapid enlargement of population halted the growth since created important surpluses of workforce in the region and were increased immoderately the "demographics investments". Even if the administrative and economic elements that placed problems in the application of regional policy did not exist, the demographic explosion that took place in the province of Kosovo won’t leave margins for economic growth. The "demographics investments" absorbed the biggest part of capital that was intended for this aim. Due to demographic evolution of Kosovo the failure of any developmental policy was sealed. It is realised consequently that the demographics characteristics of a region are a significant factor that is able to play, under certain conditions, important role in the developmental process and consequently it should be not ignored at the planning of economic strategy.
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