

# POVERTY AND DIRECTED NON-DEVELOPMENT IN SERBIA

*Tanja Djuric-Kuzmanovic*  
*The Advanced Business School, Novi Sad, Yugoslavia*  
*and*

*Dubravka Zarkov*  
*Centre for Women's Studies, University of Nijmegen, Netherlands*

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This paper intends to problematize the relationship between state-led development and poverty in Serbia in the 1990s.<sup>1</sup> The objective of this paper is to analyze the overwhelming increase of poverty and the accompanying change in the social stratification in Serbia. We argue first that both come as a result of the Serbian government's active engagement in the prevention of political and economic transition. Second, that a vicious circle is created where the absence of transition and increasing poverty contribute to the accumulation of wealth within small, newly rich strata, whose main interest is to further hamper economic and political transformation of the country.

The first part of our paper discusses the general political and economic situation in Serbia in recent years and points to the indicators of the government's resistance to transition. Then we offer some data on poverty in Serbia and discuss them in relation to changes in the social stratification of the Serbian population. Finally, the paper presents some ideas about links between development and nationalism in Serbia.

## **The Government's Resistance to Transition**

Unlike the other former socialist countries of Central and Eastern Europe, Serbia has not yet started with the process of economic and social transition.

The very meaning of the word 'transition' may leave both theorists and practitioners in doubt. In this paper, I define transition as a process of transforming the existing economic and social system toward a market economy based on private ownership and parliamentary democracy. From the very definition it is obvious that no such process has been going on in Serbia. Some specific characteristics of the social system in Serbia, when compared to other former socialist states, should be stressed here.

As far as Serbia is concerned, the first specific feature of its system is the process of ethno-democratization (Sekelj, 1991), which has followed former Yugoslavia since the last two decades. Instead of the functional differentiation of the system and the pluralization of the centers of political power followed by integration on the basis of citizenship and market economy, the break down of the old system went together with strengthening a new collective ideology nationalism. Thus, Serbia now lives with the consequences of ethnically defined democratization.

The second specificity is that the war in which ex-Yugoslavia disintegrated was a product of a power struggle between oligarchies of the former Yugoslav republics. The political leadership of Serbia is a leftover from that oligarchy.

Finally, in Serbia, unlike other former Yugoslav republics, the Communist Party, renamed into the Socialist Party, did not have a serious political challenger. Before Yugoslavia fall apart, the Socialist party had already presented itself as the national representative and the only one with the feasible national project. It combined national and social projects so as to keep the Socialist Party and Milosevic in power.

The very fact that there was no change in the ruling elite during this decade of dramatic events in Serbia testifies to the unruly marriage of the old system and a capacity of restoration. Today, Serbia functions as a closed society which has a pluralistic political system, with totalitarian characteristics. In that, the similarities between the current social and political system in Serbia and those of the old socialist system are manifold. I will mention but a few:

1. a monopolistic structure in political power and governing mechanisms (the leader dominates the ruling party, the party dominates the state, the state dominates the economy);
2. collectivism as the ideological basis of power, expressed in animosity towards citizenship and individual initiative (political and economic alike);
3. an authoritarian mentality in the governing structures, characteristic of which is rejection of change, a paranoid attitude, obsession with abstract goals and proneness to destruction;
4. an authoritarian-cum-traditional syndrome in the value system of a large percentage of Serbian population.

In short, in Serbia today, the elements of old and new systems coexist, and the society is sharply divided into public and private spheres, while parallel institutional and non-institutional actions of the market show a malfunctioning of both, creating confusion in the system of social values. The processes of social stratification in Serbia, thus, must be viewed with all these characteristics of Serbian social and political system in mind.

### **Directed Non-Development**

Before discussing social stratification, I will address some of the issues regarding transition. During the 1980s, socialist Yugoslavia - once a highly promising newly industrialized country - found itself in the position of a stagnant and underdeveloped, politically unstable society with marginal economy (Schierup, 1991). Even then, nevertheless, Yugoslavia had a better starting position than most of the socialist countries which are now in transition. Today, however, Serbia has more difficulties, economic and social, than any of these countries.

In 1989, before the break-up of socialist Yugoslavia, the combined GDP for Serbia and Montenegro<sup>ii</sup> was close to \$25 billion. As early as 1993 the GNP of former Yugoslavia amounted to only 646,000 dinars (expressed in the prices from 1972). It was lower than the GNP for the territory of ex-Yugoslavia in 1965 (totalled 656,000 dinars, according to the purchasing power of 1972). Measured in time, thus, the decline of Yugoslavia amounts to 28 years (Marsenic 1994).

The government's refusal to accept the transition to a market economy can be illustrated by the fact that the enterprises which had previously been privatized (according to the Enterprise Law, 1988) were re-nationalized in 1991 (the Law on Conditions and Procedures for Transforming Public Property into Other Kinds of Property, 1991). The state owns not only the capital of the public firms, but it is also an owner of the majority of firms by the simple fact of exercising power over their business decisions and over elections of general managers, or by the fact that the members of the government are actually, at the same time, owners or general managers of the largest companies in Serbia. Administrative control over the market of goods and prices of products is prominent, and the labor market and money market practically do not exist.

The government benefits from such a model of economic power. It has destroyed the regular mechanisms of the economy with various actions in the name of self-proclaimed

higher causes, has discredited the most important categories of a market economy and has impoverished the citizens. One of the meanest moves of the government was the abuse of monetary power in order to provoke hyperinflation in 1993.

Those in power do not only reject transition. They also lead a campaign against it in the media, emphasizing problems of the countries in transition, stressing the advantages of the existing system in Serbia and praising "the wisdom of the regime to resist such temptations" (Posarac, 1996). A simple comparison of some basic data, such as social product per citizen, shows, however, that former Yugoslavia, and Serbia within it, is far behind the countries in transition (Appendix: Table I.)

### **Social Stratification and Non-development**

In an analysis of social structure, several methodological approaches are available, and their choice represents a dilemma and a dispute among researchers. In ex-Yugoslavia, at least two methodological approaches were present. The first one presupposes the existence of a certain social structure and tries to verify it empirically. The second starts with empirical markers and tries to determine their mutual congruencies in certain individuals and thus, determines the social group.

These approaches can be interpreted also as a class versus stratification dilemma. Yugoslav researchers were solving the dilemma in various ways, using either the first or the second approach, or a combination of both (Golubovic 1988, Lazic 1994). These dilemmas aside, the above mentioned approaches to research on the social structure in ex-Yugoslavia confirmed a presumption that certain socio-economic groups already exist, as well as a certain level of stratification between them.

I approach the social status of groups as a synthetic expression of the global social division of labor, which is established by force and for a certain period of time (Lazic 1991). Social status can be explored through various measurable dimensions. The basic dimensions concerning social status of different groups are: political power, economic power, education, the quality of life etc. Examination of these dimensions determines the differences between classes, as well as other social groups, such as sex and age, for instance. The social structure of ex-Yugoslavia followed a vertical line, restored by the division of labor: a hierarchical division of the population by the governing and executive group. The governing group consists of political and economic leaders. Their common characteristic is privileged status in the production of social life. The position of political leaders is based primarily on global control of the economy and centralized economic and political management. The position of leaders in the economy is based on the creation of autonomous economic subjects and on the mediation of the market, and it is subordinated to political leaders. Differences in interests between these two groups form a potential for conflicts, although their privileged status keeps them united in relation to other social groups.

Between the governing and the executive group, a middle class developed, consisting basically of two groups which operated as a network of mediation. The first works in science, education, health care, culture. The second works for the governing group in the field of banking, insurance, management and repression. Following upon its direct connection to the government, this group has a slightly better social position than the others.

The executive group consists of office workers, qualified and highly qualified workers and workers without qualifications or semi-qualified. Their social status is persistently getting worse (in the order given). There is yet another group, whose social

status is based on private property: farmers and craftsman. The position of these different classes and strata in Serbia today differs according to the position they used to occupy in the social system of ex-Yugoslavia.

### **The Prevalence and Distribution of Poverty**

The most important change in social stratification in Serbia is its radical differentiation: the wide spread and multi-leveled poverty of the majority of population on one hand, and the high rate of increase of wealth of a very small stratum of population on the other hand, both in an extremely short time.

My inquiry has also shown that poverty is one of the most important elements in the discontinuity of social stratification in Serbia during the nineties, especially when compared to the previous decade. At the same time, I see poverty as one of the most significant economic (and not only economic) problems of the Serbian population today.

In the period from 1978 to 1987 in ex-Yugoslavia (according to the criteria for poverty of the World Bank), the poverty rate increased from 17% to 25%. That means that in 1987, one fourth of the population of ex-Yugoslavia already could not manage to fulfill the basic need for food (Milanovic 1991). Already in 1994 however, almost 36% of population in Serbia - that is 2.1 million people - were below the poverty line. The poverty rate of Serbia is higher than in many of the countries in transition, although these countries also experienced increased poverty rates in 1992-1993 period, compared to 1978-1988.

In the 1992-1993 period the poverty index in Poland was 26%, in Bulgaria 21%, in Rumania 17% and in Hungary 3% (Milanovic 1996). The number of the poor in Serbia increased in 1996. According to a research, one third of population was hungry, one third was very close to it, while most of the rest managed to fulfill their basic needs (Posarac 1996).

Another significant change in stratification was the distribution of poverty. Until 1978, most of the poor lived in rural areas. Since 1987 most of the poor in ex-Yugoslavia lived in towns (Milanovic 1991). During the nineties that trend continued and in 1996 already 70.5% of the poor were living in urban areas (Posarac 1996a).

The increase in poverty is fostered by a decrease in the real means available to households, and in a high inequality in the income division. The real personal income dropped for more than 30% in the 1978-1987 period in ex-Yugoslavia, while in 1990-1995 period it went down another 32% in Serbia. During the nineties, social inequalities measured by the Gini index, got higher: in 1990 they amounted to 0.28, in 1995 to 0.31, while in 1993 - the year of the worst hyperinflation the index amounted to 0.45 (Posarac 1996a).

### **Changes in Social Stratification**

The pauperization of the population is massive because, among other things, it affects all the strata of the society. However, poverty in itself did not abolish the differences between the strata or some of the classes, like the middle class. Stratification and hierarchy, although changed in relation to the situation in former Yugoslavia, are still very much present in Serbia of today.

The basic hierarchical axes of division are still reproduced, due to the state's leading position in the largest part of the economy. The difference is due to the relation between the

governing elite and the atomized masses. In other words, the new, transitional elite is formed, and it alone holds the system of power, primarily because of the capital it possesses.

The new elite in Serbia, which holds both economic and political power is different from the old socialist elite of ex-Yugoslavia. First, it is much smaller. Second it consists of different subclasses:

1. a small number of political entrepreneurs who share general governing authority;
2. public contractors who handle the public in a direct manner: the state apparatus, from media to social services;
3. war entrepreneurs and profiteers who accumulated capital through illegal means or the parallel economy;
4. market entrepreneurs whose business is legal, and who follow the rules and the luck of the emerging capitalist-type market;

Political elites, war entrepreneurs and market contractors are in a better social position than the public contractors. The lower governing strata together with professionals and experts on their levels, experience shared decline. But the most devastating effects of pauperization have struck manual workers and those outside labor altogether: the unemployed and pensioners, dependent on the state. The position of skilled workers is still a bit better than of the unqualified ones. They have survived mainly because of their access to goods distributed directly by the state. For instance, in 1993, flour, potatoes and meat were at one point distributed directly by the state, to companies (i.e. worker's unions), which distributed it further to their employees.

The unemployed part of the population has no access to such a distribution, and they, together with pensioners, are led into the utmost misery. Some of them have survived by engaging in the gray economy, the black market, and by illegal dealings. A vast number of unemployed are on so-called compulsory vacation, i.e. they are laid off without any perspective of being reemployed, but they do not have the official status of unemployed. As the situation has worsened, education and health care workers, as well as many white collar workers, are rapidly nearing the category of unemployed.

Thus, the most prominent changes in social stratification are: the establishment of a new governing elite and new interests groups (such as war profiteers), the changed position of certain classes (such as the peasantry) and the jeopardy of the vast majority of the population. This kind of social stratification, while happening in other East European countries, has quite a radical dimension in Serbia. These types of changes are indicators that too high a price is being paid for the rejection of transition.

### **Social Values and Attitudes**

The picture here of poverty and the change in the social structure of the population has been supplemented with research on changes in elements of social character. Results indicate that the internal economic differentiation of classes has been followed by homogenization on the level of social values. At the same time, conflation and confusion in the system of values has occurred.

According to research on social value orientations in Serbia, several elements concerning social character are noticeable: authoritarianism, etatism, traditionalism and nationalism. They are connected in such a way that we can talk about a syndrome of authoritarianism-cum-traditionalism in some social groups (Golubovic, Kuzmanovic, Vasovic, 19995).

It is worth mentioning that nationalism is also one of the above value orientations. But researchers point out that the rise of nationalism was influenced by situational factors: war, state policies (some even call it: state nationalism), attitudes towards socialist ideology and inherited traditionalism and authoritarian values. Thus, nationalism is not as deeply rooted in the structure of social character as are authoritarianism and traditionalism.

Authoritarianism - an uncritical attitude towards authority and hierarchy in social relations - is expressed in the form of submission and domination, as well as aggressiveness (Kuzmanovic 1995, Vasovic 1995). In a sample of 1550, moderate or strong authoritarianism appears in 71 % of the answers. Moderate or strong anti authoritarian attitudes are present in 16%, while 13% are indecisive.

For example, the statement: "A person without a leader is like a person without a head" is approved by 60% of the sample, while 40% think that "every society should have an authority that should be followed without any comments." When authoritarian attitude is observed through the lance of stratification, a strong and very strong authoritarianism is present predominantly in the lower-lower (79%) and lower-middle (67%) social strata. Indecisiveness and moderate anti-authoritarianism is a characteristic of the middle-lower (22.%) and middle-higher strata (50%).

Traditionalism, defined as an uncritical attitude towards tradition, appears in Serbia in the form of patriarchal values and has its origin in the rural culture (Kuzmanovic, Vasovic 1995). In Serbia, traditionalism represents a syndrome of consciousness and includes three elements: religion and religious rites, relationship between sexes and collectivism. As few as 24% of the sample show a strong non-traditional orientation; 19% cannot decide, and 54% have a traditional orientation (half of that is mild, the other half is moderate to strong).

The statement: "It is necessary to respect the customs which connect a person to the culture of his/her own people" has been accepted by 93% of persons in the sample. 92% consider that "it is the duty of an individual to sacrifice him/herself for the benefit of his/her family." The opinion that "the state should act more firmly in order to introduce order in the country" is accepted by 75% of the population.

By comparing the level and the scope of acceptance of traditional orientation with the social strata, a negative correlation is noticeable. 77% of those in the lowest strata express strong and very strong traditionalism, compared to only 15% of those in the higher stratum.

Research pointed out that authoritarianism-cum-traditionalism syndrome is especially prominent in lower social strata and older generations. The carriers of the syndrome are mainly unskilled and partly skilled workers. In terms of occupation they are farmers, housewives and pensioners. In terms of education they are uneducated or partly educated. They mostly live in villages and small towns, and they are male. It is interesting to note that women in Serbia are two times less traditional than men.

According to other research, all the above results, while being shocking at first sight, have to be approached with caution, for the meaning of certain authoritarian and traditional values expressed in different statements may actually not be self-evident. A word of caution comes from Gredelj (1995) whose questionnaire also included questions which allowed for an analysis of the presence of socialist values and liberal orientation, as well as their potential relation to traditionalism. He defined traditionalism as a modified and particular form of conservatism in a broader sense, and liberalism as an expression of acceptance of classical liberal ideology, and compared both to socialist value systems. The confusion and

conflation of values from these three systems was a surprising result of his research. For the vast majority of people in the sample of 1200, these different kinds of social consciousness were extremely intertwined. In that confusion, traditionalism confirms itself as the deepest basis for other forms of consciousness and the strongest system of value in Serbia. In the result, traditionalism and socialist orientation are proved to be compatible with collectivism.

Gredelj (1994) concluded that authoritarian governments might spring from the authoritarianism-traditionalism syndrome, even when many liberal ideas are widely present among the population. On the other hand, liberalism may be confused with the liberal rhetoric of otherwise autocratic, even totalitarian, groups.

### **NATO Bombing, War in and for Kosovo, and a Country Without a Future**

Is there any chance for Serbia to start with changes and challenges of transition? Following upon our analysis it is obvious that the current government is a serious obstacle to change. The advantages of the government are still enormous: access to money and the media, as well as the power of the police forces and the army. Thus, there should be no expectation that change would come from within the government.

However, responsibility for resolution does not rest only on the government. The opposition shares it, too. The very first steps towards transition, thus, remained a serious challenge throughout the 1990s. And that challenge was turned into tragedy with the Kosovo crisis. Repression of the Albanian minority exceeded measures taken against the KLA, resulting, be it justified or not, in the NATO war against Yugoslavia.

The effects of NATO bombing of Yugoslavia are tragically ironical. They destroyed the efforts of generations by demolishing the economic infrastructure, but they did not foster democratic change in the society. To the contrary. They made it ever more difficult to speak openly against the regime. The price of physical destruction Group 17 of Serbia's independent economists has estimated at about \$30 billion. They have calculated that Yugoslavia will need 16 years to reach the productivity level of March 1999 and 40 years to attain the level of ten years ago.

Which way now? There are few possible strategies, with or without Mr. Milosevic in power. The first way is well known - this is the way from one crisis to another, from one war to another. In that case the Albanians will not be the only minority who experience brutality. There are other ethnic and political minorities. The latter may be even more endangered in the case of violent change of government in Serbia.

The other way - without Mr. Milosevic - is also not without challenges. More aggressive nationalism could replace the existing one. In that case, again, the vicious circle of violence will continue.

Finally, if there are some potentials for democratic change, they are predominantly blocked by two crucial elements: poverty and fear.

There remains little hope in a better future among ordinary people in Serbia. The Serbian people are responsible for their own future, especially in the process of recognizing causes and effects of ethnonationalism and self-reliance. But, Western democracies share this responsibility too. Leaving Serbia in ruins and in political isolation will certainly not promote democratic transition.

### **Biographical note**

Dr. Djuric-Kuzmanovic is a lecturer at the Advanced School of Economy, University of Novi Sad, Yugoslavia. Dr. Dubravka Zarkov studied sociology and anthropology in Belgrade, and development studies in the Netherlands. She is currently attached to the Centre for Women's Studies, Nijmegen University, Netherlands.

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**Endnotes:**

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<sup>i</sup>. Paper for the SOYUZ Conference in Bloomington, Indiana, April 1999. A shorter version of this text appeared in *Journal of Area Studies* (1998: 13)

<sup>ii</sup> former Yugoslavia consists of two republics of ex-Yugoslavia: Montenegro and Serbia. Montenegro occupies 14% of territory, compared to 86% of Serbia. But Serbia has 94% of all Yugoslav population, and Montenegro 6%. In terms of social product Serbia participates with 95% and Montenegro with 5%.