

# The IMF in Yugoslavia: A question and reply

8 May 1999

Dear Sir,

It is with great interest that I read the article by Nick Beams, "IMF 'shock therapy' and the recolonisation of the Balkans." I wonder how the leaders of Yugoslavia in the 1980s could have let themselves be dragged into the financial mess into which the IMF pushed the country. I imagine that a certain number of individuals in the government at the time must have realized the implications of the measures demanded by the IMF. Didn't they try to do anything?

KJ

Ile Maurice [Mauritius]

Dear KJ,

Thank you for your question on the article on the IMF and the recolonisation of the Balkans.

To answer it fully would require a detailed historical analysis of the history of Yugoslavia and the policies of the regime from 1948 onwards. In this reply I can only point to some of the issues which form the basic framework within which such an analysis has to proceed.

The economic breakdown of Yugoslavia, which culminated in the imposition of the "structural adjustment" program of the IMF, was the outcome of two interconnected processes: the pressure applied by global finance capital, in particular the US, and the policies pursued by the leadership of the Yugoslav state.

When the break with Stalin took place in 1948, the leadership of the Fourth International, the world Trotskyist movement, explained in an Open Letter that there were three roads open to the Yugoslav leadership.

There was the possibility of a rapprochement with the leadership of the Russian Communist Party, acceptance of the criticisms of the Cominform and the elevation of a new leadership to restore unity. This course, the Fourth International explained, would be a tragic error both for the Yugoslav and Soviet working class.

The second course, the letter continued, consisted of

"retiring into Yugoslavia, repelling the attacks and the eventual violence and provocations of the Cominform and its agents, and attempting to 'build socialism' in your own country, while concluding trade relations with the powers of Eastern Europe as well as those of the imperialist West."

This course, it explained, would be just as pernicious as the first and it would be impossible to manoeuvre for a whole period between the US and the USSR.

"Finally, there remains the third road, the most difficult, bristling with the most obstacles, the genuine communist road for the Yugoslav party and the proletariat. This road is the return to the Leninist conception of socialist revolution, of a return to a world strategy of the class struggle."

In the event, the Tito leadership took the second path. Faced with opposition from the Cominform, the perspective of a socialist federation of the Balkans was rapidly abandoned and the regime sought to come to an accommodation with imperialism. In 1950, the Tito leadership indicated its readiness for an accommodation with imperialism when it gave its support to the Korean War.

Within the framework of Cold War politics, the Yugoslav regime was viewed as a useful asset and it was admitted into the ranks of the imperialist economic organisations, including the IMF. With the death of Stalin in 1953, the Tito leadership was able to organise an accommodation with the Khrushchev leadership in the USSR, and in 1956 supported the Soviet repression of the Hungarian uprising.

Throughout the 1950s and 1960s, economic policies were characterised by the ever-greater penetration of the Yugoslav economy by major capitalist firms from the West.

There is no question that the economic policies of the Yugoslav leadership did bring increased rates of growth for a period. But with the turn in the world economic situation after 1973, and the end of the post-war boom

of world capitalism, the Yugoslav economy experienced growing economic difficulties. These were compounded in the 1980s with the ending of cheap loans and the imposition of a high interest rate regime under the dictates of imperialist banks.

The collapse of the Stalinist regimes in Eastern Europe and the Soviet Union at the end of the 1980s meant the collapse of the manoeuvre which had formed a central component of the policies pursued by the Yugoslav leadership over the preceding four decades. With the end of the Cold War, the imperialist powers no longer needed Yugoslavia as an asset in the political conflict with the Soviet Union. With the disintegration of the Stalinist regimes, whole regions of the world, previously excluded from capitalist penetration were now opened up. This strategy has formed the basis of the "structural adjustment" and "shock therapy" measures dictated by the IMF and other international financial bodies.

The impact of these measures has resulted in a financial and economic disaster for broad masses of the population. But the financial crisis has also provided the opportunity for a tiny minority to enrich themselves. The dismantling of state-owned industries, for example, while bringing mass unemployment and poverty for the workers previously employed in them, has provided opportunities for those layers within the country with access to funds and resources.

In the case of Eastern Europe and the Soviet Union the advent of the free market has provided the means through which a section of the old Stalinist apparatus has been able to complete its transformation from a bureaucratic caste into a fully-fledged capitalist class, integrated into the structure of global finance capital. This process was also seen in Yugoslavia. With the collapse of its perspective of "socialism in one country" sections of the ruling apparatus became the most vociferous advocates of the market and the opportunities for enrichment it provided them.

Milosevic was part of this tendency in Serbia, as was Tudjman in Croatia.

In her book *Balkan Tragedy*, Susan Woodward, explains the relationship of Milosevic to the IMF program as follows:

"Milosevic's victory over the Serbian League of Communists is often cited, because of the war and Western policy in 1991-1994, as the beginning of the

end of Yugoslavia. But this view was not shared by Western banks and governments, or by other departments of the US government. They supported him because he appeared to be an economic liberal (with excellent English), who might have greater authority to implement the reform. Although Western governments were later accused on complicity, or foolishness in the extreme, Milosevic was an economic liberal (and political conservative). He was director of a major Belgrade bank in 1978-82 and an economic reformer even as Belgrade party boss in 1984-86. The policy proposals commissioned by the 'Milosevic Commission' in May 1988 were written by liberal economists and could have been a leaf straight out of the IMF book. It was common at the time (indeed into the 1990s) for Westerners and banks to choose 'commitment to economic reform' as their prime criterion for supporting East European and Soviet leaders (as well as in many developing countries) and to ignore the consequences that their idea of economic reform might have on democratic development. The man who replaced Janos Kadar as leader of Hungary in May 1988, Karoly Grosz, was similarly welcomed for the same profile of economic liberalism and political conservatism--what locals at the time called the Pinochet model" (Susan Woodward, *The Balkan Tragedy* pp. 106-7).

So to answer your question. Rather than resisting the IMF measures, the leaders of Yugoslavia, and the social layers upon which they rested, actively implemented them because they provided the means through which they could become a fully-formed capitalist class.

They were fully aware of their disastrous social consequences and increasingly sought to divert the struggles of the working class which these measures produced into bloody nationalist conflicts.

I hope this reply begins to answer some of the important questions you have raised.

Yours fraternally,

Nick Beams



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