
Book Review of

Serbia's Transition: Towards a Better Future¹

Milica Uvalic

By Saul Estrin²

It is long overdue for us to have on the shelves a serious book on transition in the former Yugoslavia (Serbia) to join the dozens of volumes on Russia, Poland, and Hungary. It might be remembered that in the 1950s through the 1970s, Yugoslavia was a beacon of market socialism in a sea of centrally planned socialist regimes, and moreover one with a unique economic system of its own, founded on workers' self-management of enterprises. Moreover, the system had seemed for a long while to work, so that Yugoslavia entered the transition era with many of the attributes of a market economy missing in its socialist neighbours including an orientation of trade to Western Europe and the new emerging markets; ostensibly decentralised market-type processes for internal resource allocation and a relatively high standard of living. One might have expected in 1989 both that Yugoslavia would have clear advantages in the transition process over highly bureaucratic planned neighbours, and also that the almost forty years of relative independence from Moscow would have generated institutions with some durability through the reform process. In fact, , for reason largely associated with the political demise of the Yugoslav federation, neither proved to be correct. Uvalic charts with great care the murky waters of Serb economics and politics in this troubled era, and helps us enormously in understanding why.

In fact, the book is much more than just a recounting of the facts of Serbia's unhappy recent past. It is special because Uvalic has a command of the big picture yet a mastery of the detail. I have tried to keep up to some extent on transition and on former Yugoslavia, yet I was learning things on every page. Moreover, the story itself is a fascinating one. As noted above, Yugoslavia started as a front runner in transition, yet went backwards first for 10 years. Even after reforms finally started, things in some ways jumped forward but at a deeper level they actually went much slower. Milica gives a clear explanation as to why, highlighting external constraints, not least the negative attitude of the world community and EU in the 1990s. Indeed, she places more emphasis on this than other observers. But she also highlights the role of wars and internal factors, more often political than economic. Yet through this careful sifting of the facts and the data, Uvalic is also able to tell a human story, by the skilful use

¹ London, Palgrave Macmillan, 2010.

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of boxes to illustrate her own not inconsiderable role in this history. Thus the book represents a beautiful balancing of personal and analytical evidence-

I do not really have criticisms; this book is a valuable addition to the literature on transition, and on former Yugoslavia. But I do have comments and interpretations concerning three issues. The first concerns the implications of the analysis for our understanding of the transition process more generally. I then go on to consider the legacy of self-management.

I started my own work and teaching on transition using the Fischer/Gelb framework; the idea was that preconditions in terms of macro-stability and macro-reforms would determine both the character and path of reform and likely successes. Thus the Czech Republic was more macro balanced but not very advanced in terms of micro-reforms. Poland was the reverse, and Russia was poor at both (and the rest of the FSU even worse) and would face a tough time. Yugoslavia was in approximately the same place as Poland and Hungary – notionally market socialist countries subject to the scorn of Jeffrey Sachs but in practice all were quite well placed. Indeed, if one took the view that the key issue for successful transition is prior decentralisation of planning to firms that take their own economic decisions, then Yugoslavia might have been the most advanced economy around the start of transition. Yet within a decade Yugoslavia had disintegrated into its constituents republics – with further issues to come in the Serbian province of Kosovo – and the region had fallen seriously behind. The book details how far and how poorly the economy and political processes were performing. What is not in the book, but could be, is the role of what North distinguishes as formal and informal institutions in the Yugoslav transition and especially of informal ones. By formal institutions in the Yugoslav context I mean social ownership and Labor Management (LM). These are not necessarily conducive to creating a market economy and as noted years ago by Furubotn and Pejovich, they imply a legal system slightly orthogonal to market building. By informal institutions I refer to the considerable state intervention since 1974, but not via a formal planning process. Instead Yugoslavia instituted an informal structure of relationships between the state and firms which opened the system to cronyism and corruption, ripe to be exploited by ruthless political actors.

The book also reveals how persistent has been Yugoslavia's decline. Of course there were ten bad years when everyone else was first introducing transition policies; years of civil war and hyperinflation. In addition, there has been no sudden bounce back once the transition began, unlike elsewhere with a slow start such as Russia or Vietnam. There has been much progress since 2000 but Uvalic shows that many of the successes are superficial – an institutional approach would help to indicate why; institutions are very slow to change and the negative informal institutions became embedded and are very hard to reverse. For example the old LM system perhaps leads to employeeism and a danger of a

focus on job preservation and consuming capital. Similarly, the close informal links between firms and the state become embedded and hard to root out – undermining entrepreneurship and creation of new firms.

It is particularly odd that the most original and remarkable institution of the former Yugoslavia has disappeared with almost no trace; a phenomenon also reflected in this book where LM plays little or no role. There were numerous books about the system in the 1950s-80s where it was seen as an alternative system, yet it seems to have had no durable traction in economy at all. From the perspective of the book, it appears mainly as a constraint on the methods and forms of privatisation in successor states. This leaves open the question as to why. Was Labor Management never an actual operational institution at all - did workers' engagement in decision-making for fifty years actually not mean anything at all?

This is a fascinating book which provides a definitive account of the transition in Serbia from one of six Republics of Yugoslavia to an independent state. It treats the complexities of the Balkans with an ease and clarity which are rare and refreshing. The book also reveals the inter-connections between politics and economics in the transition process, and the ways in which the former might effectively prevent, rather than just hinder or delay, the emergence of a market economy. But like all good books, it also raises more questions than it can answer, and to understand the role of labour- management in the Yugoslav transition, there is more research to be done.