

Slobodan Antonić

THE SOCIAL BASE AND THE CURRENT MODERNIZATION ATTEMPT

(Transformation and Strategies: Everyday Life in Serbia at the Beginning of the 3rd Millennium, ed. Anđelka Milić, pp. 17-33. Belgrade: Institute for Sociological Research Faculty of Philosophy University of Belgrade. Translated by Ivana Spasić)

Efforts of the ruling political elite after the year 2000, to modernize Serbia and join the European Union are the fourth modernization attempt in the past 200 years (Antonić, 2003: 53-94). But, just like any other social undertaking, in addition to its actors' will, it also needs a favorable arrangement of social structures in order to succeed. In line with a realistic approach adopted by this author (Antonić, 2002: 19-22), a sociological discussion of an issue must cover both structures and actors. And, since the main modernizing actors in contemporary Serbia have already been partly described (Antonić, 2003: 87-94), this paper addresses the issue of social structures.

It seeks to examine the foundations and roots of the prevailing social mood (collective value orientations) in present-day Serbia. As subsequently explained in greater detail, this mood in many ways differs from that in other post-communist countries. It is essentially *non-capitalist*, and according to many, presents the main obstacle on Serbia's road towards the European Union. This mood has deep historical roots and can be best understood if these roots are brought to mind. To this end this paper provides a brief review of Serbia's social development over the past 200 years, which will explain how this non-capitalist social mood emerged and took hold. Its main characteristics are egalitarianism and state nationalism.

“Peasant republic” (1815-1911)

After six decades of home rule Serbia entered the year of its full state independence (1878) as an almost completely agrarian society. The entire industry of Serbia, even in 1881, comprised one military factory, two breweries, two sawmills, one gun-powder plant, one brick kiln, one candy plant, 14 steam mills and several workshops producing soap, leather products and textiles. There were no railways, while the roads were in poor state of repair and hardly serviceable. The people, for the most part, lived off agriculture – 88 per cent. They were almost exclusively small farmers – 73 per cent of land holdings had less than 5 hectares. As a rule, these peasants were also illiterate – over 90 per cent of them (*Table 1*).

On the other hand, Serbia had neither nobility nor large landowners. Turkish nobles were banished during the struggle for liberation (1804-1815), and the domestic nobility was not created. Prince Miloš Obrenović (who ruled Serbia in 1815-1839 and 1858-1860) did not wish to see the emerging of a stratum that could rival his power in Serbia. Thus Serbia developed into a kind of a peasant's republic. In addition to the dominant peasant stratum, which formed the basis of the social structure, there was also a thin layer of clerks, i.e. administrative and

educational intelligentsia. But their origins, too, were rural. Having acquired high education in the West, part of this intelligentsia brought the idea of democracy to Serbia. More precisely it brought the idea of parliamentarism and limited power. When this idea merged with the peasants' wish for greater influence on state administration, Serbia obtained a number of important democratic institutions – universal suffrage for practically all peasants (from 1869), a parliament to control the government (from 1888) and even elections which grew increasingly more honest and free (especially after 1903). Although a kingdom, Serbia was, in social terms, actually a peasants' republic.

Table 1. Shares of agricultural and illiterate population in the total population of Serbia in 1834-2002 (%)

Year	Peasants	Illiterate
1834	93	n.a.
1866	90	n.a.
1874	90	n.a.
1884	88	89
1890	87	86
1900	86	79
1921	86	55
1931	80	47
1948	71	27
1953	67	28
1961	56	22
1971	44	17
1981	25	11
1991	18	7
2002	19	3

For more on relevant sources, see Antonić, 2002: 30.

It is therefore hardly surprising that the spirit of egalitarianism and loyalty to the state prevailed in the 19th century Serbia. The peasants did live a difficult life, but they felt “masters on their own turf”. Their holdings were small, but theirs (and could not be sold even in collection of a debt). They worked hard and long hours using the simplest tools (even in 1897 a third of village households did not possess any agricultural implements or animal-drawn carts). But, they worked their own land, for themselves, not for others. They lived in small and poorly furnished houses. But almost all of them were homeowners and could not be evicted by anyone at all. Although illiterate, they were becoming increasingly aware that education was the best way for the social ascent of their sons. Often, they were molested by the local bureaucracy. But frequent elections and political changes instilled hope that perhaps an effective and honest administration would be established in the near future. The state did ask them to pay taxes and serve in

the army. But, at election time, the political elite came to them pleading for their votes. That state was far from perfect. But it was theirs.

In the late 19th century the development of industry and modern transport in Serbia gained momentum. By 1988, 522 km of railroads were constructed and in 1896 fourteen larger industrial enterprises were already operational, while the number of coal and metals' mines was tripled. In 1896 a layer of the wealthy, merchants and industrialists was created in Serbia, including a few millionaires and several semi-millionaires. The stratum of workers, shop assistants and apprentices also grew. Although they numbered over 60 thousand at the turn of the century they were still a distinct minority compared with the total population of 2.5 million. Serbia entered the 20th century as a country of small farmers, egalitarian economic requirements and egalitarian social consciousness.

In and between the wars (1912-1945)

Serbia passed the entire second decade of the 20th century waging exhausting wars (1912-1918). In these wars, Serbia lost 800,000 people (24 per cent of its population), or every second man between the age of 18 and 55 - thus the main part of its labor. The total war damage amounted to 14 annual national incomes (at 1911 prices), or the 182-year value of overall industrial production in 1911. Not only was Serbia exhausted and ruined by the wars, but after 1918 it found itself a central territory of an entirely different state – The Kingdom of Serbs, Croats and Slovenes. A large part of social energy during the 1920s was spent on the constitution of that new state and the curing of the most difficult wounds sustained in the previous wars. When in the early 1930s the political elite finally turned its attention to economic development, the country was struck by the world economic crisis. Backward and insufficiently recovered from the war, the economy was hit hard. The main export product, wheat, lost its foreign buyers and the prices of agricultural products registered a 40 per cent drop by 1934. The small purchasing power of the peasants was halved, leading to a decrease in the prices of manufactures by over 40 per cent. Life in the villages and towns alike was difficult, often even more so than before 1912.

Still, the mid-1930s saw an economic recovery. That was mostly to the credit of the country's prime minister Milan Stojadinović (1935-1939) and his active economic policy. Public works gave jobs to 150,000 people in the Kingdom of Yugoslavia, while a good part of small and medium peasants' debt (not only to the state) was written off. During Stojadinović's government in the Kingdom the total of 111 new factories were built and 100 new industrial enterprises established (92 per cent with domestic capital). For the first time after a long period budgetary years ended with surplus, and in 1938 the country's foreign trade balance was the best in its history thus far.

By the end of the 1930s the economy had recovered and industry was on the upswing. Compared with 1918 the number of factories in the Kingdom of Yugoslavia increased by 113 per cent (1938), the number of industrial workers by 87 per cent and the value of investments by 55 per cent. Production in certain economic branches tripled, e.g. in Serbia's mining and smelting in the 1925-1938 period. The GDP growth rate increased from a low 3.3 per cent per year (1911-

1932), to a modest but promising 4.7 per cent (1932-1940). In 1939 the Kingdom's industry already contributed 45 per cent to the value of the national production and 52 per cent to that of exports, and had a greater share in the national income (8.75 billion dinars) than agriculture (6.75 billion). In general, the end of the 1930s and the beginning of the 1940s brought better life and a hope for tomorrow. The cost of life fell by a third in the 1929-1940 period, the purchasing power of the dinar grew by 53 per cent, while the workers' real wages increased by 32 per cent from 1930 until 1940.

Industrial strengthening brought about some change in the social composition of the Serbian population. The number of workers in industries and crafts increased compared with the beginning of the century. There were over 200 thousand people in Serbia working on such jobs and close to another 100 thousand in trade and transportation, along with over a 100 thousand in state administration, the army and free professions. Nevertheless, Serbia was still a weakly industrialized country. At least three quarters of its population still lived off agriculture (*Table 1*) which was 3.5 times more than in Germany or the USA at that time. The illiteracy rate was still high at about 40 per cent, even more than in the neighboring Bulgaria or Greece.

As for the social mood, it was substantially different than in the 19th century Serbia. The village had the impression that the government and the state did nothing for its benefit. Although the state received war damages, the compensation melted before it reached the village. Pensions for war widows and orphans were worse than miserable and war invalids were reduced to begging to feed themselves and their families. Facing the distressed and impoverished peasants were the few but gaudy rich men who came into money owing to political connections and war supplies. Furthermore, at the beginning of 1929, the unregulated relations among nations in the Kingdom led to the abolishment of parliamentarism. True, it started to renew in the mid-1930s but until 1941 Serbia did not manage to reach the level of democracy it had in 1914. The peasant was thus multiply dissatisfied: with the state's care for his welfare, with the fairness of the state administration and with the political order.

This dissatisfaction turned into a deep depression after the fast defeat of the Kingdom of Yugoslavia in its war with the Axis Powers (in April 1941), and the disintegration of the south Slavic state. In the occupied Serbia two resistance movements emerged – the monarchist and the communist. However, the two movements soon came in conflict, which increased the war sufferings still further. And destruction hardly ever stopped during the four war years. Waves after waves of bombing and continuous internal struggles destroyed 36 per cent of industrial facilities and a quarter of the housing stock. The total war damage sustained by Yugoslavia was larger by a half than the one suffered by Britain and seven and a half times greater than the one of the U.S.A. Serbia was once again pushed years back in economic terms, almost to where it had been before 1912.

Communist modernization (1946-1973)

The communists come out of the horrible war as military victors. They certainly did not enjoy majority support in Serbia. But, the basis for their

legitimacy was a vision of an industrially developed and just society. This vision was entirely in line with the prevailing egalitarian spirit in Serbia, as well as with the idea of a “people’s” and “protective” state. That is why Serbia did not experience the communist rule as an entirely foreign body, especially because the communists enthusiastically set out to pursue their modernizing ideas. They proclaimed “industrialization and electrification the foremost all-national tasks”. In order to implement them they needed capital, and thus on December 5, 1946 they carried out the general nationalization of the economy. All production property, except that belonging to small peasants and artisans, became state-owned. In a sociological sense, entire social strata of the population disappeared. But, the government was now in a position to substantially increase investments into industry. While investments into new production in the Kingdom, accounted for 5 per cent of the national income, the communists upped this share to 32 per cent in the 1947-9 period. Although few believed the communists’ claims that industrial production already in 1947 exceeded the prewar figure by 21 per cent, there was no doubt that in the first three years of peace Yugoslavia took the road of accelerated industrialization.

Then in mid-1949 a conflict between the Yugoslav and Soviet communist oligarchies broke out. Wishing to prove their orthodoxy, the Titoists in 1949 launched rapid “collectivization”, i.e. destruction of small peasant holdings. By early 1950, 340 thousand households were forced into 6,238 “cooperatives”, which precipitated a serious social and economic crisis. The peasants’ resistance to collectivization grew and the cooperatives produced less food than independent peasants in earlier times. Thus at the end of 1950 Yugoslavia found itself on the verge of hunger. Even the official statements – invariably more propagandist than statistical – showed that in the 1950-53 period the country’s national income not only failed to increase but registered a decrease at an annual rate of 5 per cent.

The communist Yugoslavia was saved by the Americans who soon understood the geopolitical importance of Tito’s dissent from Moscow. Thus in 1950 they gave Yugoslavia a grant-in-aid of 95 million dollars worth of food (corresponding to 689 million dollars at present day rates) and saved the country from hunger. During the next five years the Americans, together with the French and the British, provided Yugoslavia with additional aid of 493 million dollars (or 3.5 billion at current rates). In addition, the communists gave up village collectivization and in 1953 permitted the peasants to leave their “cooperatives”. In consequence five sixths of them immediately disintegrated, leading to a gradual recovery of agriculture and the relaxation of social tensions.

From 1953 until 1964 Yugoslavia registered “an exceptional 11-year development” (Mihailović, 1981: 13). During that period the GDP and industrial production grew at an annual rate of 8 per cent and 12.4 per cent per year. Not only was the GDP increased by 133 per cent, but the country also managed to cross the line separating the predominantly agrarian and the predominantly industrial society. Namely, in 1960, for the first time in the history of Yugoslavia, the share of agriculture in the GDP was below the one of industry, while in 1961 the numbers of agricultural population decreased to less than a half of the total.

An important stage of industrialization and economic modernization was thus successfully completed.

Serbia's economic development has always ranged close to the Yugoslav average. Therefore it, too, substantially changed its social structure by the end of the 1960s (*Table 2*). The share of farmers in the labor force dropped to a half, while those employed in industry and crafts accounted for over 20 per cent. That was still a small share compared with the most developed countries. But, the spirit of modernization was in the air, economic development was visible and life grew better from one year to the next. In the early 1960s the communists gave up the concept of highly centralized production, wages and consumption were no longer neglected for the benefit of capital accumulation and the ruling elite shed some of its ideological burden which hampered personal and group enterprise. Infrastructure was built and after several decades enabled full-scale exploitation of the country's natural wealth, while the workers believed that good and hard work was worthwhile.

The overall social mood in Serbia during the 1960s was entirely different from that of the 1930s. The state administration remained authoritarian, but corruption was reduced to a minimum and large and undeserved wealth almost disappeared. There was no multiparty democracy and the political police was still very powerful. But self-management was introduced into enterprises to increase employee influence in management and bring elementary self-respect to an ordinary man. The standard of living was substantially lower than in the West, but the government tried to ensure that all have an approximately the same starting point for social advance.

Table2: Structure of economically active population in Serbia
in 1931-2002.

Branch		1931	1953	1971	1991	2002
Agriculture	%	79	67	53	30	22
	No.	1,797,856	2,211,653	1,812,213	964,687	580,339
Industry and crafts	%	9	12	21	36	31
	No.	194,192	390,921	726,954	1,159,712	830,526
Trade, services, transport	%	3	6	9	18	25
	No.	76,325	198,960	299,864	579,100	655,968
Public services	%	5	4	10	16	16
	No.	109,119	117,805	333,850	514,402	422,304
Others	%	4	11	7	0	6
	No.	87,960	375,378	216,908	7,809	153,850
Total	%	100	100	100	100	100
	No.	2,265,402	3,294,717	3,389,789	3,225,710	2,642,987

Data for 1953-2002 are for Serbia, excluding Kosovo and Metohija; the sources of all data are population censuses.

Generally speaking, a significant degree of egalitarianism prevailed in the society, and almost nobody seemed to mind that. On the contrary, it was entirely in accord with the traditional popular spirit. In addition, the peasants were pleased with the possibility to keep their holdings, in contrast to farmers in other communist countries (excepting Poland). Their holdings were in 1953 limited to 10 hectares. But, Serbia was anyway a land of small peasants. Many peasant children found employment in nearby towns, or moved to live there. During the 1960s and 1970s about a half of industrial workers in Serbia still lived in villages, or relied on agriculture for additional support. This mixture of industrial and agricultural life enabled the peasants and workers quite a decent life, regardless of insufficient productivity in agriculture and industry. And the time of a really good life was yet to come.

Communist welfare society (1974-1990)

Never before or after have the people in Serbia earned so much and spent so much as in the late 1970s (*Table 3*). This was due to three specific reasons.

Table 3: Serbia's GDP per capita - 1910-2003 (in 2003 US \$)

Year	GDP/p c
1910.	933
1938.	1.275
1950.	1.423
1960.	2.530
1970.	4.601
1975.	5.839
1986.	3.318
1993.	1.782
2003.	2.166

For more on the relevant sources and calculations, see AntoniĆ, 2002: 29; the figure for 2003 is an estimate of the National Bank of Serbia.

First, the communists built an industry that enabled the exploitation of almost the entire natural wealth of the country. The industry manufactured products which, with the eastern wages of the workers, sold well in the West, and with their western design fared still better in the East. And, thanks to Tito and his political skill, both West and East were equally and almost completely open to Yugoslavia.

Second, precisely during those years the country was decentralized, and so was its economy. The republic political-economic elites, among other things, obtained the right to raise foreign credits. The West was obliging to Yugoslav credit requests, primarily for political reasons. This led to a proper surge in borrowings. Between 1965 and 1981 the Yugoslav foreign debt increased 23 times – from 0.9 to 22 billion dollars. Only in the 1974-1981 period new loans

amounted to 16.4 billion dollars: a third each from the IMF, Western countries and a group of about 600 banks.

And, third, the earned, and still more borrowed money, was not spent on productive investments. The Yugoslav communists, seeing that they were doing fine, wanted their “working class, their working people and citizens” to start living well. Consumption was completely liberalized. The salaries began to grow, accompanied by cheap consumer credits practically anyone could raise. Some of that money was naturally invested. But, the investments were made less by economic and more by political criteria. The important thing was to employ as many people as possible and give them nice salaries. And the productivity of their work was not exactly a matter of primary importance.

Thus during the 1970s Yugoslavia became a proper “phenomenon” on the world scale. While throughout the planet a twenty-fold jump in oil prices caused an economic recession and arrested the increase in the living standard, Yugoslavia flourished. Only between 1974 and 1977, 850,000 people were employed, while the number of the employed in Serbia in 1980 increased by as many as 600 thousand compared with 1974. The growth of employment was accompanied by increasing wages and consumption. The share of wages of those working in the economy in the national income leaped from 23 per cent in 1953 to 41 per cent in 1971, to retain so high a level during the following years. Personal and social standard increased by 25 per cent in only a few years’ time (1974-1977), while real income of employees grew by full 36 per cent.

The false, general employment, increase in salaries and cheap consumer credits raised the citizens purchasing power unrealistically high. This is best revealed by the data on households’ savings. Towards the end of the 1970s savings deposits grew at an incredible rate of 30 per cent per year, so that in 1981 Yugoslav citizens had foreign exchange savings of 7.6 billion dollars and about 10.5 billion dollars worth of dinar savings on their bank accounts. This purchasing power was even more pronounced because the population was spared certain expenses, just like in any other socialist country. For instance, employees and workers were fairly quickly and for free, given apartments by the state, i.e. their enterprise (which accounted for up to 20 per cent of investments). Only in the 1974-1977 period the total of 580,000 apartments were built in Yugoslavia and distributed for free. In Serbia alone, until the end of socialism the number of apartments distributed without payment grew to half a million. According to some sociological researches, as many as 40 per cent of members of the middle class were given free apartments, as were about 25 per cent of workers (Vuković, 1994: 116). Occupants of this donated housing could live in it almost without paying a rent. While in Western countries the cost of rent accounted for 25-30 per cent of a worker family income, a four-member worker family in Yugoslavia in 1949 spent a mere 4 per cent for the apartment it lived in, less than for cigarettes and drinks. The reason for that was, naturally, the protective rent in the annual amount of 0.2 per cent of the apartment price. That was not enough for maintenance and let alone repayment of the housing unit concerned.

Relieved of the need to invest their savings into apartment purchase or rent, citizens comfortably spent their money on common consumption goods, plentiful in Yugoslavia. Since the end of the 1960s, the Yugoslav market was almost

completely open to foreign goods. Although Yugoslav traders held the monopoly on imports and despite the substantial import duties, the supply of goods was almost as large as in a West-European country. And the citizens, on their part, had enough money to afford western cars and appliances, as well as expensive tourist travels all over the world. By 1979 almost one in each two families in the country had a car. During the 1980s nearly all members of the middle class in Serbia had a TV set, as did 93 per cent of workers; color TVs were owned by 83 per cent of the middle class and 31 per cent of workers; deep freezers by 93 per cent of clerks and other middle class members and 82 per cent of workers; and washing machines by 97 per cent of clerks and 75 per cent of workers (Vuković, 1994: 128; 136; Vujović, 1991: 294-5).

During these golden years life was good in the villages, too. About 60 per cent of agricultural households had at least one of their members employed in a factory or an office, while members of as many as 24 per cent agricultural households were *all* employed outside agriculture (Grbić, 1991:164). In addition, in the late 1960s, many peasants' sons went to work in Germany, France, Austria and other Western countries. During the 1970s about 200 thousand people worked in the West sending remittances to their kin in Serbia (Petrović, 1978:123). Thus, for the first time in its history, the Serbian village was getting the money. The building of new spacious houses started in all parts, while tractors, trucks and other vehicles appeared along with diverse agricultural machinery...

True, the Yugoslav economy revealed the signs of a crisis already in the early 1980s. Foreign financing taps dried out and the Yugoslavs once again had to live off their work alone. In the 1980-1990 period the average economic growth dropped to -0.1 per cent, productivity of labor to -1.2 per cent and the investment rate to -5.5 per cent. Annual inflation rate soared to 84 per cent. The weary economy did not employ new labor and the unemployment rate increased to 16 per cent of workforce. Salaries and pensions rapidly decreased and the standard of living dropped by a third, practically to the level of the mid-1960s.

Still, the society did not manifest strong discontent. People believed that the crisis was momentary and would soon be overcome. The overall social mood in Serbia was still very favorable. Although ordinary people, overwhelmed by egalitarian consciousness, continuously objected the "unjust privileges" of political and economic managers, sociological research shows that overall material inequalities in Serbia were far lower than in the West (Popović 1987). The political and economic elites were still open for recruitment of new members from all social strata and self-reproduction of the elite was practically non-existent. Even the most critical sociological researches revealed that the descendents of the so-called collective-owner class rarely managed to reach the ruling social positions themselves. The furthest they got was usually the professional strata, and a third failed to reach even that far (Lazić, 1987).

During the 1980s the people in Serbia realized that they still lived better than citizens of any other socialist country. At the same time, they were fully aware that their society was far more just than any Western capitalist society. They knew they had vastly greater personal and even political liberty than citizens of other socialist countries. At the same time, they also knew that they

enjoyed the privileges many western employees could only dream of: namely that they practically could not be dismissed and did not work too hard, that they were treated in good hospitals and their children attended good schools... It was almost an ideal society for an ordinary man, a society of equal possibilities and openness for all, a society where life was relaxed, pleasant and full of traditional sociability. If only the economy was a little better...

But, in 1990 economy, too, was revived. This came in consequence of reforms initiated towards the end of 1989 by the new federal prime minister Ante Marković. The inflation rate dropped from 48 per cent registered in September 1989 to 0 per cent in May 1990. The internal convertibility of the domestic currency was introduced. State foreign exchange reserves grew by over 50 per cent - from six to ten billion dollars. Let us recall that at that time Polish foreign reserves amounted to 2.2 billion dollars (in 1990), Czech to 8.3 (in 1991), Hungarian 3.9 (in 1991), Bulgarian 1.8 (in 1991) and Romanian 0.4 billion dollars (in 1991). Export-import coverage was 110 per cent. The GDP per capita crossed the limit of 4,000 dollars of that time, which in terms of the real purchasing power in Yugoslavia actually meant 6.700 dollars. Yugoslavia was probably economically the most advanced socialist country of that time. After the multiparty system was legalized (in 1990) it seemed that Yugoslavia would be the first East European country to join the EU.

Milošević's decade (1991-2000)

And then, in 1991, Yugoslavia violently disintegrated. In the following years the Serbian economy suffered severe blows. The entire society was, in economic terms, relegated several decades back. The disintegration of Yugoslavia caused the breakup of the joint market (1991-1992). Then came the UN sanctions against Serbia with an almost complete trade isolation of the country to last more than six years (1992-1996 and 1998-2000). Military and material assistance provided to the Serbs in the wars in Croatia and Bosnia (1991-1995) additionally exhausted the country, while the NATO bombing of Serbia (1999), resulted in a direct war damage of four billion dollars. The total, indirect and direct damage Serbia suffered during the wars of Yugoslav succession (1991-1999) is estimated at close to a hundred billion dollars.

The Serbian economy was completely ruined. Industrial production dropped by a third. The GDP was halved. Salaries decreased by seven eighths, and the third of the employed had to wait for their wages, small as they were, for months on end. One in each three households had one unemployed member. At one point of time (1993) inflation reached an annual rate of 35 thousand billion per cent. Already in early 1991 the banks stopped the payment of citizens' foreign exchange savings. After that they often could not pay even the regular salaries or pensions. Two thirds of Serbia's population was reduced to poverty and one in each three had the income insufficient for bare sustenance.

The wars, trade embargo and inflation dealt the hardest blow to the urban population with fixed income. The most endangered were, in the first place, the pensioners, as illustrated by the following account: "I recall a scene in a bakery in Belgrade in December 1993. The price of bread was tripled over night. Several old

people queued for bread, and when they had to pay for it they realized that they did not have enough money – all of them were pensioners. The vendor, actually the shop manager, covered a part of the difference and called upon all others in the shop to contribute, if they could. We all gave what we had. The receivers-pensioners cried and the entire queue broke into sobs with them” (Avramović, 1998:19).

City clerks and workers were the second most severely hit category. The government adopted legislation (1992) prescribing that, while the country was under threat, no one could be dismissed. But, since there were no real jobs, the salaries dropped to such a low level that it was impossible to live off them. Workers and clerks started to engage in petty smuggling and resale. The authorities permitted that, since these modern-day peddlers supplied Serbia with cigarettes, food, clothing and gasoline. Still, social pride prevented many from standing behind upturned cardboard boxes in the streets, with their usual display of cigarettes, sardine cans and “Milka” chocolate. But the long-drawn-out deprivation and unemployment forced people into accepting all sorts of humiliation. “An unemployed doctor,” for instance, “weighted down by poverty, was forced to take her two daughters to a soup kitchen. Seeing the strange faces of the starved paupers, a child asked her mother to explain what kind of a place was that. The desperate mother, trying to preserve the tiny bit of a pride she had left, could only say, ‘This is a special restaurant, not everyone can it in’” (DR, 1994: 135-138).

In contrast to the impoverished majority, a thin layer of wealthy people was formed. Being political and economic managers they formed the top of Slobodan Milošević’s regime. Milošević discontinued any further privatization in 1994. Thus 85 per cent of capital in Serbia remained under the state supervision. This also meant that Milošević and his government appointed all directors. Socialist directors were known to abuse their position even before. But, there was some control at least, by the workers, the party, and the police. Milošević, however, either abolished or reduced all these controls. Wishing to attach the managerial elite to himself as firmly as possible, he permitted its members to amass wealth illegally. And the more Milošević’s legitimacy dwindled, the wider and deeper the system of corruption grew. Ultimately, corruption penetrated every single pore of the society – from company director to night watchman. A large portion of the society became part of the same clientelist network. People gradually became accomplices in the overall plunder of state property. The only difference was that what the night watchman took home with him was an electric bulb, while the director carried a bagful of dollars. And, the night watchman was ever poorer, while the director grew increasingly wealthier.

Sociological researches carried out in Serbia during the 1990s, indicated a remarkable increase in intrastratal inequalities with respect to material conditions of life. The top and the bottom of the social ladder grew more distant and at a rapid pace. A visible gap between the top and the middle part of the ladder also appeared. The economic status of professionals and clerks, who formed the basis of the middle class, was far closer to that of the workers than of the political and economic managers (Lazić, 2002:29). The peasants fared a bit better, since they were not overly dependent either on imports or exports. Their

decline on the social ladder was substantially slower than that of other strata, which is why many workers and clerks were now below them. But, practically all parts of society, save the very top, went down and were extremely dissatisfied with their respective places on the social scale.

As time passed, their dissatisfaction increased. Initially, most Serbs, guided by their collectivist tradition, believed that certain sacrifices were necessary in order to attain the national interests. The large drop in the income of an average family was mitigated by using the savings, relying on parents in the villages, or intensive cultivation of one's own patch of land. The hardships of daily life were eased by the thought that this misfortune, too, will pass and that the troubles of everyday life spread across the whole society. But the troubles did not pass, and it became increasingly obvious that they were very unevenly distributed. While some fed their children in soup kitchens, others transferred millions of dollars to their accounts abroad. After the war with the West in 1999, even the largest dreamers clearly understood that Serbia would be excommunicated and their families left in poverty as long as Slobodan Milošević remained in power. Thus, on September 24, 2000 Milošević lost the elections. And then, after having refused to acknowledge defeat, he was deposed in a genuine popular revolution on October 5, 2000.

On road to Europe (after 2000)

The overthrowing of Milošević restored the nation's pride and gave rise to a lot of hopes. Serbia was soon returned into the international community, the sanctions were lifted, and financial and other aid started to arrive. In the next three years Serbia received 2.9 million euros worth of assistance from the West, or almost the amount of the annual budget of the Serbian state. With this assistance, Serbia avoided an economic and social breakdown apparently inevitable in 2000. The annual inflation rate was reduced to 11 per cent (2003), and a stable dinar exchange rate was set. Foreign aid and a stable exchange rate resulted in increased foreign exchange reserves of the national Bank of Serbia, which grew from 0.3 billion dollars in October 2000 to 3.4 billion in April 2004.

Deep economic and social reforms were initiated and most importantly speedier privatization. Despite Milošević's moves limiting privatization, a substantial growth of the private sector was registered already during his rule. This sector with 160 thousand workers in 1991 employed 500 thousand already in 2000. Yet, employment in the private sector was still three times less than in the public sector. During the three post-Milošević years (2001-2004), 1,417 enterprises out of the anticipated 7,000 were privatized. Thus a third of the workers are employed in the private sector. The average monthly pay was tripled: from 80 dollars (September 2000), to 240 (April 2004).

Still, despite this improvement, an ordinary man in Serbia remained dissatisfied. He expected far more. He hoped that after Milošević's downfall, life in Serbia would at least approach the style of the 1980s. But these expectations came to nothing. True, his salary was increased. But 240 dollars were still a far cry from the 460 he had had in December 1990. True again, the foreign exchange rate was stable. But, the prices were not. Since Milošević's demise, the foreign

exchange rate increased by 18 per cent, compared with the price increase of 156 per cent. Fifteen out of sixteen parts of the Serbian population's savings were in foreign exchange deposits. But now, their thousand dollars were actually worth 420, and the value of their small savings was practically halved.

Moreover, joblessness remained high. With two million employed workers, another million were looking for jobs. According to the official data, 200 thousand of the employed worked without pay and 40 per cent of employees in public enterprises were considered redundant (*Ekonometar*, 29 June 2004, p.12). In textile industry alone, 140 thousand workers received less than 50 euros per month. Among the unemployed as many as 870 thousand received no unemployment benefits (*Politika*, 8 April 2004, p. B1). The government claimed it its major success that in 2003, 100 thousand more were employed than dismissed. But this actually meant that those still unemployed would not be able to find jobs practically for years, and even decades ahead.

The economy was mending slowly and painfully, and many wondered whether it would fully recover ever again. The growth of the domestic product registered in the first post-Milošević year, small as it was (5.7 per cent), more than halved in the next two years (1.5 per cent in 2003). The overall GDP in Serbia in 2003 amounted to only 52 per cent of that in 1990. The growth of industrial product was also decreasing, and even registered a drop of 3 per cent in 2003.

The country's foreign debt increased from 10 to 13.5 billion dollars (1 January 2004). Together with the foreign exchange debt of the state to the citizens (3.5 billion dollars), this was more than the overall Serbia's GDP in 2003. True, on 1 July 2004 the London club, comprising 600 commercial banks, wrote off 1.6 billion dollars of Serbia's debt. But indebtedness remained an insoluble problem for Serbia, bearing primarily in mind that in the meantime its balance of payments deficit increased from 1.8 billion (in 2000) to 4.8 billion dollars (in 2003). This deficit was redressed by foreign aid and remittances (amounting to about three billion dollars in total) and there was also some inflow of foreign funds through privatization (862 million euros in 2000 and 2003 combined). Still, Serbia is facing a real danger of a debt crisis, since with the receipts it has, it will not be able to service its debt (annual repayment due in 2009 will reach as high as 1.63 billion dollars).

To make things worse, foreign assistance is dwindling and Serbia's accession to the EU, which many people expected would set the economy straight, seems further away than ever. In mid-2004 Serbia was still among the last of the countries standing in line to be admitted to the EU. It did not have even the "feasibility study" and let alone a set date for accession to the Union.

Meanwhile the social strata grew increasingly far apart. On the very top of the social ladder Milošević's profiteers not only retained their capital but continued to enlarge it. The top of the social pyramid included about 300 richest citizens who, judging by their tax forms, earned over 30,000 euros in 2003. The most successful among them reported a monthly income of 215 thousand euro. Precisely these richest men were most often the buyers of privatized companies. Milorad Mišković (Delta M), e.g. bought "Pekabeta", PIK Bečej, Namateks (Subotica), Bazar (Novi Sad); Miodrag Kostić (MK Commerce) bought three

sugar plants, Bačka sugar factory, Tehnoteks (Subotica), Proing (Novi Sad); Dragoljub Marković (Krmivo produkt) purchased Vojvodina produkt, PIK Moravica, IM Čajetina, etc. Privatization was expected to attract foreign investors whose knowledge and funds would get the economy going. But, the public impression is that the bulk of the companies were bought by domestic buyers, most often below price, and almost without any additional investments into development.

For most of the workers who had not been made redundant few things were changed, expect that they had a new boss. They were employed just as before, for a somewhat higher salary, but they worked more and with less management rights than ever before. A smaller part of the middle class, comprising those with high professional education and knowledge of foreign languages, was given the opportunity to work for the foreign employer and thus obtain a salary many times higher than the average. But vacancies of this kind were substantially fewer than those interested to fill them, and much too often, the keeping of such a job demanded the acceptance of a blackmailing and humiliating treatment by the foreign employers. The major part of the middle class – teachers, doctors, jurists – remained in state employ. Their salaries were somewhat higher than during Milošević, but still substantially below the status needs of the middle class. Small salaries provided the justification to continue the practice, widespread in Milošević's time, to “additionally award” providers of medical and other services (i.e. bribe taking and giving). This intensified the overall impression that changes in Serbia after October 5, 2000 were precious few.

Thus in the present day Serbia almost everybody is dissatisfied – the workers, and the lower middle class, and also the higher middle class. According to public opinion surveys done in May 2004, as many as 74 per cent of Serbian citizens were dissatisfied with their social status, 51 per cent of them described their economic position as “bad” and “insupportable”, while 57 per cent believed that “developments in Serbia have taken a wrong direction” (Branković, 2004).

Generally speaking, this discontent was part of the prevailing social mood in Serbia, entirely different from other post-communist countries. Remembrance of the communists past for the former Soviet satellites, often recalled material deprivation and isolation from Europe, as well as state dependence from Moscow. And, however difficult their present may seem, they still clearly see and feel an improvement – at least for some strata of the population. Contrary to that, remembrances of the communist past in Serbia recall affluence, passports to travel all over the world and full national sovereignty. And as for a particularly visible improvement, it went missing practically for all, including even the higher middle strata.

In addition, the future of other post-communist countries is clearly defined by a strategic goal of joining the European Union. For most of these countries entry of the EU is a predominantly technical matter, one of adjusting the economy and legislature to the practices of the West. For Serbia, on the other hand, entry into the EU today (at the end of 2004) seems like a dark and entirely uncertain future, the overcoming of ever new, insurmountable obstacles. Serbia has already extradited to the ICTY two of its former presidents, one prime minister, one vice prime minister, several ministers and a multitude of generals.

But it is still told not to reckon with entering the EU until it started to “fully cooperate with The Hague”. After 1999, Serbia relinquished direct administration over Kosovo and left the protection of local Serbs to the USA and the EU. But it is now told, true still unofficially, that it may only count on accession to the EU if it agrees to a full independence of Kosovo and leaves the Kosmet Serbs to the “sense for tolerance” of the local ethnic majority. Serbia is quite clear that the road to the EU leads through integration into NATO. But, it is requested to waive the claims for damages for NATO bombing before The Hague’s Court of Justice, while this same court threatens to make it indemnify Croatia and Bosnia for the war damage they sustained from 1991 until 1995.

It is therefore small wonder that for an average inhabitant of Serbia thoughts about the future often have a bitter taste. In order to enter the EU he is requested to calmly witness the sale of enterprises he believed were his and his children’s, to look on as a handful of profiteers grow ever richer while he and his friends become increasingly impoverished; to start working for the patron he until recently recognized as a party secretary or war supplier; to listen to his daughter tell him about her foreign boss and his “offer one is well advised not turn down”; to watch the prosecutor of The Hague tribunal treat Serbia as a supermarket with free goods to be hoarded on the shopping trolley without a clear idea what to do with them; to stand by as the remaining Serbs are banished from Kosovo and hear others say that it is only because Serbia is opposed to an “independent, multiethnic and multicultural Kosovo”; to forget 88 children perished from NATO bombs, and all the ruined factories and schools, but never to let it slip his mind that he alone is obliged to pay for all the damage in the wars of Yugoslav succession (1991-1995). In brief, to be poor and work hard and forget about the last vestiges of national pride so that one day, in fifteen or twenty years, Serbia will finally deserve to be admitted to the EU. And then, after another ten years start living as he did in the 1980s, and after twenty more, as he once lived in the 1970s.

It is therefore hardly surprising that many people in Serbia do not find this future particularly attractive. That is why at least 40 per cent of its population – judging by the most recent election results – believe that the ticket for entry into Europe is too dear; that Serbia should give it back and turn towards itself; and, since Serbia will anyway remain a poor society, it will do better to remain a society of equals, because in equality poverty is easier to support; that it is better to have a smaller state, but its own, than a larger state framework with a foreign and unfriendly administration. Although this view is in Serbia still voiced by a minority, it is not inconceivable that at one point of time in the near future it may even prevail.

Therefore, this fourth attempt to modernize Serbia does not have a particularly bright future. The weak Serbian economy cannot sustain the inherited expectations of its population for European earnings and lifestyle with African productivity (working habits and quality of products). Neither can the weak Serbian economy sustain the continuing efforts of the international bureaucracy to end every single failure in the resolution of regional issues in the Balkans by punishing Serbia. Caught between the rock and the hard place, the

society here will not be able to avoid the mounting of internal tensions. And increased internal tensions may easily end in violence – social, ethnic or political.

Bearing in mind that the European path of Serbia is increasingly less certain the local elites have the task to promptly develop the so-called exit i.e. reserve strategy for the Serbian society. Although accession to the EU as soon as possible probably offers Serbia the only chance to carry out its modernization (Antonić, 2003: 92), the possible breakdown of this project must not be accompanied by yet another collapse of the Serbian society. If the European Union treats Serbia without much understanding of its specific features, than at least the country's elite should have these specifics in mind. This also applies to the academic elite, which armed with the experience of the late 1980s and early 1990s, must not permit unfortunate developments to catch it unawares yet one more time.

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ABSTRACT: Efforts made by the ruling political elite after the year 2000 to modernize Serbia and join the European Union represent the fourth modernization attempt in the last 200 years. But like any other societal endeavor, in order to succeed, it also needs a favorable arrangement of social structures in addition to its actors' will. Hence this paper addresses a major structural feature – the prevailing social mood (collective value orientations) in present day Serbia. This mood in many respects differs from what we find in other post-communist countries. It is basically non-capitalist and, in the opinion of many observers, constitutes the main obstacle on Serbia's way to the European Union. Since this mood has deep historical roots, the paper offers a historical overview of Serbia's social development during the past 200 years. This account clearly reveals how this non-capitalist social mood arose and took hold. Its basic characteristics are egalitarianism and state nationalism.

KEY WORDS: modernization, capitalism, social consciousness.