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Post-War Transformations of Yugoslav Economy (1945–1952)

In Search of a Model: The Command-Planned Economic Organisation in Yugoslavia (1945–1951)

The adoption of Soviet economic solutions

In the spring of 1945, the weights which had maintained a balance until that point disappeared from the scales of global politics and economy. Having defeated the Third Reich, the USSR dispensed with all the political and economic buffers which had been installed at the beginning of the 1920s between its western borders and central Europe.¹ The newly formed sphere of exclusive Soviet influence included Yugoslavia as well, whose leadership had before the end of the Second World War already decided to sign a treaty of cooperation with the USSR, which resulted in general political and economic obligations of the two countries.² Josip Broz Tito's visit to Moscow at the beginning of April 1945 was the beginning of a first major foreign-policy breakthrough of the newly established Yugoslav federation. Coming back to the Soviet Union after almost a decade of absence must have evoked mixed emotions in the Yugoslav marshal. The fear brought on by memories of executions which Stalin carried out against Yugoslav and other communists during his stay in Moscow in the thirties was certainly intermingled with a triumphant feeling of excellence which the leader of the second successful, and authentic communist rev-

1 Ivan T. Berend, *Ekonomska istorija Evrope u XX veku, Ekonomski modeli od laissez-faire do globalizacije*, (Beograd: Arhipelag, 2009), 174–176; I. T. Berend, *Centralna i Istočna Evropa 1944–1993, Iz periferije zaobilaznim putem nazad u periferiju*, (Podgorica: CID, 2001), 25–29.

2 Arhiv Jugoslavije (AJ), Ministarstvo lake industrije Vlade FNRJ (MLIVFNRJ), 10–1–1, Privredna saradnja podunavsko-balkanskih zemalja, 31. novembar 1945. godine.

olution carried about him. The capital with which Tito and the Yugoslav delegation landed in Moscow was large even in the eyes of the Soviet leaders. The Soviet side had no intention of diminishing their guests' importance by any move on their part, and appreciation of the Yugoslav contribution to the joint victory was evident during all the official talks. On 11th April the two sides concluded a treaty of cooperation of the highest order whereby they, in addition to close cooperation for the sake of general progress, committed themselves to assisting one another in case of external aggression against any one of the signatory countries.³ The words of Josip Broz Tito during the signing of the Agreement on Friendship, Mutual Assistance and Post-War Cooperation point to the far-reaching aims of the two states. The pact made between Belgrade and Moscow was only one part of a broader process of erecting a bulwark against Germany's potential future advance eastwards. The Soviet Union was carefully building a collective security system with the countries which had around the end of World War II found themselves in its sphere of interest and influence, and Yugoslavia was a key ally in the southeast of Europe.⁴

Ideological closeness to USSR in the first post-war days was the most important determinant of the overall policy pursued by the Yugoslav communists. With ideological fervour they pointed out that Yugoslavia was the first country after USSR which had fulfilled all the conditions for transition to planned economy.⁵ Modelling on Soviet experiences due to a lack of their own was a constant issue in discussions within the Communist Party of Yugoslavia. However, despite the inclination to introduce into the economy as many Soviet solutions as possible, there was awareness that the specific features of the USSR's historical development and its current circumstances were diametrically different, and the question of planning was consequently approached by analysing the real possibilities available to Yugoslavia. The starting point was the observation of the general preconditions of development, which gradually led to defining the

3 AJ, KMJ (Kabinet maršala Jugoslavije), 836/I-1/3, Ugovor o prijateljstvu, uzajamnoj pomoći i posleratnoj saradnji između Jugoslavije i USSR, april 1945. godine.

4 AJ, 836/I-1/3, Reč maršala Tita prilikom potpisivanja Ugovora o prijateljstvu, uzajamnoj pomoći i posleratnoj saradnji između Jugoslavije i USSR-a, 11. april 1945. godine.

5 Istorijski arhiv Beograda (IAB), Legat Blagoja Neškovića i Branislave Perović (LBNBP), 2157-11, Uporedni pregled našeg Petogodišnjeg plana sa sovjetskim pjatiljetkama i čehoslovačkim dvogodišnjim privrednim planom (1947-1948), 17. jun 1947. godine.

main guidelines.⁶ Those preconditions of economic planning were, from the viewpoint of Yugoslav communists, created through radical changes of the social and economic structure after they assumed power. The first condition for transition to planning was created when the Communist Party of Yugoslavia came to power, securing command positions in the economy, which created an opportunity to steer economy development in the direction meeting the needs of the entire country and society. As a result, the state economic plan became a basic element of economic management. The second basic condition for planning was created through a change in the country's social and economic structure. The majority of the essential economy sectors became state-owned, the most important being heavy industry, ferrous and non-ferrous metallurgy, mining, forests, transportation, large-scale banking and wholesale trade. The state sector of the economy became the foundation of the country's economic development, thus ensuring the basic elements of planning and planning management.⁷

To the Yugoslav communists planned economy implied a complete plan of connected and harmonised all economic activities. In general, it was an economic system which included the design, development and implementation of a consistent plan of production, as well as a plan of development of the economy in its totality. Planned economy was aimed at ensuring completely planned labour and development, the exclusion of "spontaneity" and all liberal-capitalist influences inherent in unpredictable market mechanisms. Such economy, in the communists' view, acknowledged a general interconnection and interdependence of phenomena in society, and did not solve problems "one at a time", but resolved them in a holistic manner, directing all the activities towards implementing "individual measures and requirements as they logically follow from one another". As a result, the plan realisation "necessarily had to progress as determined in advance, without chaos, without unpredictability and, most importantly, without crises." In other words, in the communists' view, a planned economy was exactly the means designed to liquidate the "catastrophic" crises that capitalism had inevitably produced. The socialist

6 AJ, Komisija za privredu Centralnog Komiteta Saveza komunista Jugoslavije (KPCKSKJ), 507/XI-1/21, Mogućnost i zadaci planiranja u privredi Jugoslavije, 1946. godina.

7 *О петогодишњем плану (чланци и предавања)*, Београд 1947, 28; Dušan Bilandžić, *Kratak pregled razvitka društveno-ekonomskih odnosa u SFRJ 1945-1965*, (Beograd: Centar za ideološko-političko obrazovanje Radničkog univerziteta "Đuro Salaj", 1965), 3-9.

state, through the application of planning mechanisms, was in a position to establish total control of all the economic opportunities and had “in its hands” the full power to develop that production in a planned and balanced manner by designing an integral plan of all the production segments.⁸

The inherited contrasts and different experiences of historical development of individual parts of the country were a heavy burden for the First Yugoslav State. The Kingdom of Serbs, Croats and Slovenes/Yugoslavia was, due to frequent political crises, unable to complete the integration and form a single economic space. It was those reasons that guided the new communist powerholders in their endeavour to overcome the “negative” historical legacy.⁹ Thus, the formation of a single economic space had from the start been a priority of the state economic policy, while the ideas of the economic leaders were directed towards the elimination of different, and the implementation of uniform legal norms with the aim of preventing the creation of regional autarchies. The final aim of this economic policy was the formation of a single Yugoslav market, which would be governed by uniform regulations and economic standards. To achieve that, it was essential to do away with the disparities from the previous period through the development of uniform economic institutions, which would, through their activities, implement all the necessary measures of mutual integration.¹⁰

The ideological attachment to USSR and the prestige that the victorious Soviet economic system enjoyed immediately after the war on a global scale, had a strong influence on the choice of the type of economic system. The beginning of development of institutions of command-planned economy in Yugoslavia was at a time when, in the last months of World War II, the recovered Yugoslav state took huge efforts to bring the war to a successful close. After the liberation of Serbia and Belgrade, the Communist Party of Yugoslavia set out to organise all the segments of power, focusing in particular on the setting up of economic institutions. The Soviet models were for the Yugoslav communists the main guideline as to the direction of state and society development.¹¹ The Communist Party of Yugoslavia Central Committee politburo, in their projections of the

8 AJ, Ministarstvo elektroprivrede Vlade FNRJ (MEVFNRJ), 11–5–19, Planska privreda i planiranje u industriji.

9 IAB, Legat Vljaka Begovića (LVB), 2821–7, Istorijski uslovi razvitka socijalizma u Jugoslaviji.

10 AJ, Savezna planska komisija (SPK), 41–5–5, Studija o privrednoj obnovi zemlje, 1945. godina.

11 AJ, 507/XI–1/21, Mogućnosti i zadaci planiranja u privredi Jugoslavije, 1946. godina.

country's development, prioritised the phase of reconstruction, which was viewed as a basic precondition of transition to administrative-centralist management of the economy and society.¹² Even though one of the priority questions for the Party in the last months of the war was to devise the plan and method of country reconstruction, around the end of January 1945 the first draft of the Federal Planning Commission was already prepared on the model of the USSR Gosplan, thus practically announcing the economic model which was to be implemented in Yugoslavia.¹³

The proposal of the first draft of the Central Planning Commission, submitted by Bojan Kugler, the secretary of the Economic Reconstruction Commission, to the chair of the Economic Council, included the basic organisational structure and the bill intended to legalise that institution.¹⁴ A lack of the professional staff required for the establishment of the Federal Planning Commission was supposed to be resolved over time. "Professionalism, capability, and commitment to work" were the qualities not open to questioning, because according to the competences this highest economic authority was to have in the future strictly centralised system, a slightest mistake would be reflected to the very "bottom". The predictions of the future sequence of moves put the founding of the Federal Planning Commission at the end of August 1945, as it was required to draw up the economic plan for the following 1946.¹⁵ In addition to the Federal Planning Commission, subordinated to this central economic authority there were supposed to be republic planning commissions and county planning commissions within people's committees. The republic planning commissions were to be organised for the most part on the model of the Federal Planning Commission. The draft provided for the existence, within people's county committees, of special planning commissions made up of several members or officers, depending on the district's economic structure. In people's district committees the commissions were not planned, but the plan was the responsibility of one committee member, who was supposed to be accompanied by a commission composed of experts or public servants, who would, in addition to their role in the "planning", carry

12 Branko Petranović i Savo Dautović, *Jugoslavija, velike sile i balkanske zemlje 1945-1948, Iskustvo "narodne demokratije" kao partijske države*, (Beograd: Istorijski institut Crne Gore, 1994), 29-37.

13 Александар Ракоњац, „Почеци привредног планирања у Југославији 1946. године – идеје, организација и институционализација“, *Токови историје*, 2/2016, 155-156.

14 AJ, 41-1-1, Predlog nacрта Planske komisije, 23. januar 1945. godine.

15 Ibidem, 2.

out other duties as well. These bodies would make up a monolithic hierarchical structure, in both the vertical, and the horizontal sense. Parallel to this, all the bodies by economic sectors and all the way down to factories, were to have their own planning divisions.¹⁶

The duties of economic recovery imposed by the ravages of war postponed the establishment of these institutions.¹⁷ As a result, the beginning of a thorough implementation of the command-planned economic model was also postponed for a more favourable time. However, despite the real difficulties, planning remained the most viable prospect of economic development. In the meantime, the Commission for the Country's Economic Recovery, besides having to carry out a methodological preparation for transition to planning, also turned into a particular "planning school", as a place for gaining the first experiences. In its work, the Commission analysed the country's economic and financial potential, and drew up individual recovery plans, and in doing so gained the necessary experience required for general planning.¹⁸ In the period from March 1945 to June 1946, the Commission for the Country's Economic Recovery did not perform the tasks entrusted to them by the Communist Party of Yugoslavia leadership, having failed to execute the required methodological preparations for transition to general planning.¹⁹ Tito's dissatisfaction with regard to economic policy and insistence on making a major turnaround in that direction, indubitably show that the process of transition to planning in economy did not go in the desired direction.²⁰

This issue was discussed in more detail in the Politburo meetings during April 1946. This led to the criticism of the leading man of the Yugoslav economy, Andrija Hebrang, relating to the economic results. The crisis of relations at the top of the Communist Party of Yugoslavia resulted from Hebrang's letter to Edvard Kardelj, in which Hebrang, among other things, expressed suspicions of Tito's confidence in his economy management method. The guilt in management was reflected not in the ultimate aim, i.e. the total adoption of the command-planned economy model following in the USSR footsteps, but in the absence of a consistent policy in the transitional period. In his speech, Milovan Đilas pointed out that there

16 Ibid.

17 A. Rakonjac, „Obnova jugoslovenske industrije 1944-1947.: ideje, planovi, praksa“, *Istorija 20. veka*, 2/2018, 87–90.

18 AJ, 41-1-1, Izveštaj o pregledu Savezne planske komisije.

19 Ibid, 2.

20 *Zapisnici sa sednica Politbiroa Centralnog komiteta KPJ: 11. jun 1945-7. jul 1948*, priređivač Branko Petranović, (Beograd: Službeni list, 1995), 140.

were two lines in the Central Committee relating to economic policy, resulting from the fact that economic issues had not been sufficiently discussed in Politburo sessions, as the ministers A. Hebrang and Sreten Žujović had not succeeded in drawing up the study in time. In A. Hebrang's defence, S. Žujović justified the omissions up to that point by quoting a host of unresolved economic issues and denied the allegations on the existence of the two lines. The conclusion of the majority, which was finally accepted by the ministers of industry and finance, was that the previous period was characterised by "wandering" as a result of use of different methods²¹ and that in the future a uniform economic policy should be applied. The outcome of this conflict relating to the concept of development was Hebrang's exclusion from the Communist Party of Yugoslavia Central Committee Politburo in May 1946, after which the positions of the chair of the Economic Council and the minister of industry were taken by Boris Kidrič, while the initiator of the procedure against him, Edvard Kardelj, concluded that the whole economy should shift to the "NEP" policy.²²

The passage of the Constitution of 31 January 1946 established the legal foundations of command-planned economy, and the chairs of the Federal Planning Commission and the Federal Control Commission, ac-

21 In his address in the meeting of the party's top leaders E. Kardelj said that in the period after the liberation, concluding with the Central Committee Politburo meeting of 19 April 1946, several mutually divergent methods from the Soviet practice of the time could be identified, such as "war communism", "state capitalism", and "administrative centralism". In addition to these methods, Kardelj also mentions the application of methods typical of capitalist economies (Ibid, 148–149).

22 Ibid, 148–161; *Југославија–СССР, Сусрети и разговори на највишем нивоу руководиоца Југославије и СССР 1946–1964*, приређивачи Л. А. Величанскаја и други, (Београд: Архив Југославије, 2014), I/645; A. Hebrang and S. Žujović shared the opinion that transition to total planning should not be rushed, and that it was essential to rebuild the country and stabilise the system. Hebrang, with Žujović's support, opposed the Party's general line with regard to the repressive measures taken when buying up wheat crops. They thought this would disrupt the "class union" of workers and peasants, in view of the fact that the Yugoslav revolution was for the most part carried out by the peasants as the largest social class in the Yugoslav population. On the other hand, with respect to industry, Žujović advocated the application of full profitability in the operation of enterprises, as this would stimulate the enterprises to produce more and in turn lead to a faster restoration of the pre-war production level. Generally speaking, Hebrang and Žujović, as old Party members from the time before the Stalinist purges, had a less "dogmatic" attitude with regard to economy compared to the younger party leaders, who entered the Party when Stalin was already firmly holding the levers of power in the international labour movement. Their activity both relating to economy and other political issues principally demonstrates loyalty to Lenin's last ideas (Б. Кидрич, *О изградњи социјалистичке економије ФНРЈ*, (Београд: Борба, 1948), 29–34).

ording to article 83 of the Constitution became Government members, which clearly indicated their role in the future system.²³ Centralised accumulation and guided planning, the basic formulae of the administrative economy management system, acquired through the Constitution unlimited competences in economic matters.²⁴ The newly established system was made following the USSR experiences, adopting for the most part the Soviet constitutional and political-legal solutions. The institutions legalised by the Constitution originated in the people's liberation war and revolution, but the basic concepts and many institutions were adopted from the Soviet practice. These basic concepts manifested themselves primarily in the role of the state in society, as the state and its authorities were understood as the leading force of the entire society. The Stalin Constitution of 1936 had *de iure* one essential difference compared to the Yugoslav Constitution, primarily that the Stalin Constitution legally equated the All-Union Communist Party (VKP(b)) with the state, which was not the case in Yugoslavia. Even though CPY (the Communist Party of Yugoslavia) was not mentioned in the Yugoslav Constitution, in practice CPY followed in the footsteps of the VKP(b), which led to a mirroring of the centralist party structure, which was further reflected in the centralist organisation of the entire state. Imitating the Soviet models ultimately resulted in the bureaucratisation and nationalisation of the entire economy and society.²⁵

During the drafting of the Law on the Federal Planning Commission, which started immediately after the passage of the Constitution, there was a need to review the previous experiences of planning in the USSR. With that in mind, the Soviet economic expert Ivan Evenko, who was working in Yugoslavia in an instructor's capacity, drew up an overview of the twenty-five-years' development of the planning bodies in the USSR. Evenko's brief presentation was to serve as a model for formulating the composition of the Federal Planning Commission. Along with Evenko, B. Kugler also took an active part in drafting the project of the Law.²⁶ The organisation scheme drawn up by them was an improvement of B. Kugler's previous idea. In the new system, the Federal Planning Commission apparatus would be "horizontally" organised into a number of separate depart-

23 „Ustav Federativne Narodne Republike Jugoslavije“, Službeni list FNRJ, 10 /46.

24 Boris Kidrič, *Socijalizam i ekonomija*, priređivač Viljem Merhar, (Zagreb: Globus, 1979), 3–16.

25 Branko Petranović, *Istorija Jugoslavije 1918–1988*, I–III, (Beograd: Nolit, 1988), III/67–68.

26 AJ, 41–1–1, Referat Ivana Evenka o organizaciji Planske komisije, 19. februar 1946. godine.

ments, which would form the “basic cells”, below which, along the hierarchical “vertical”, there would be divisions and groups of officers. In the beginning, the scope of planning in all areas of economy was to be smaller, while the plan data or “indicators” for individual areas would only be general. A department of the Federal Planning Commission was to be accountable to the relevant ministry, but due to a shortage of the required management staff in the initial phase of work, a maximum concentration of management in the structure was stipulated, reflected in the formation of general departments covering related branches of economy. Departments of greater importance to people’s economy had to be separated.²⁷ The establishment of departments and divisions within the republic Planning Commissions was to be executed in accordance with the specific economic features of individual republics, for the collected data used to draw up plans for each republic to be properly analysed and on subsequent elaboration adjusted to the needs of development of each individual republic. On the other hand, the Federal Planning Commission would be tasked with managing the work of the republic planning commissions, issuing plan preparation directives, and giving methodological instructions on the plan preparation forms and methods. The republic planning commissions would have the responsibility to manage the county planning commissions, and the county commissions in turn the district ones. The whole planning body system had to be based on a unity of organisation and planning methodology.²⁸

The work on drafting the Law on the General State Economic Plan and State Planning Authorities was intensified after the aforesaid session of the Communist Party of Yugoslavia Central Committee Politburo, during April and May 1946. These efforts resulted in the passing of the Law of 25 May 1946, which entered into force in the first days of June. The Law laid the groundwork for the development of the economic system in the following years. This defined the first precondition of the “new direction”, which was followed by an elaboration of the planning authority system.²⁹ The Law provided that there were, within the general state economic plan, two plan types – the long-term plan, which defined the course of development over a longer period of time, and the one-year or current plan,

27 Ibid.

28 AJ, 836/III-1-b/1, Predlog Zakona o osnivanju Savezne planske komisije FNRJ sa organizacionom strukturom i spiskom radnih mesta u SPK, 1945. godina; AJ, 41-1-1, Referat Ivana Evenka o organizaciji Planske komisije, 19. februar 1946. godine.

29 AJ, Privredni savet Vlade FNRJ (PSVFNRJ), 40-37-85, Zakon o opštredržavnom privrednom planu i državnim organima za planiranje (1946. godina).

which was made at shorter intervals. The general state economic plan included the essential economic plans for all branches of state administration, enterprises and institutions which were under direct management of federal authorities, and this legal solution also included in its main elements the economic plans of the republics, counties, districts, as well as towns and cities. The long-term and current general state economic plans had the force of laws, which meant that all the entities from the state authorities to state-owned enterprises and cooperatives, were obligated to ensure the fulfilment of the plan terms. Private enterprises had to carry out economic measures stipulated by the state and were also subject to stricter control measures.³⁰

When it came into force, the law led to the legalisation, after almost two years of efforts, of the highest state planning body, the Federal Planning Commission. It was in charge of the preparation and drafting of all the generally applicable state plans in the country.³¹ The competence of the Federal Planning Commission included, in addition to the drafting and submission of the prospective and current economic plans to the Federal Government, the review of drafts of the republic economic plans and their harmonisation with the general state economic plan. The aim of this coordinating role of the Commission was to ensure a proportionate development of branches of economy, but it was generally intended to ensure a balanced regional development. The whole planning service in the country was under its supervision, and the production programmes and plan drafts submitted by lower-level services, enterprises and state authorities were considered by the Commission. Its authority included checking the implementation of all the economic plans, and in case of an imbalance in the execution of a stipulated plan, it proposed measures to the competent authorities with the aim of its proper execution. With a view to preventing errors, a statistical service was established at the Federal Planning Commission, tasked with collecting and processing the data required for both the general records, and for the drafting and checking of plans. With the growth of the state economic sector, the complexity of managing such a system increased, so that the need for a scientific approach to researching economic activities became increasingly important. With that in mind, and with a view to improving technical knowledge and resolv-

30 AJ, 41–136–259, Zakon o opštedržavnom privrednom planu i državnim organima za planiranje, Opšte odredbe, 1946. godina; Dušan Čalić, *Metodologija planiranja proizvodnje*, (Beograd: Borba, 1948), 5–7.

31 Ibid.

ing the economic issues in general, the establishment of the Economic Institute was planned within the Commission. The last of the competences, without which the work of the Commission would be unthinkable, was the preparation of the professional staff for planning and statistics activities.³²

The centralisation of economic management resulted in the transformation of the Federal Planning Commission into a collection centre for all the economy-related administrative activities. The ministries of economy and committees of the FPRY Government were obligated to forward all the data and draft plans for the economic branches they managed, through their planning bodies. Moreover, this procedural scheme was binding on all the state administration bodies, lower planning commissions, state and private enterprises and cooperatives. All the institutions and enterprises covered by the general state economic plan would be obliged to have their own planning bodies. The Federal Planning Commission had under its control the planning commissions of the people's republics, while below them in the hierarchy stood the planning commissions of the autonomous provinces, counties, districts and towns and cities. The lowest planning commissions, at the town/city and district levels, were obliged to forward the draft plans and reports to the higher instance, i.e. the county planning commission, which in turn had the same obligation in relation to the republic planning commission. The decisions of the Federal Planning Commission of general importance to the state were forwarded in the opposite direction, this time from the highest to the lowest instances, and its directives had the power of laws. In case the economic measures and enactments of the Federal Government and the governments of the people's republics were in conflict with the provisions of the general state plan, the Federal Planning Commission and the republic planning commissions could suspend them for a while until the measures were brought into line with the plan. The "field" work of the Commission delegates was one of the methods aimed at getting a realistic picture of all the aspects of planning at lower levels. It was therefore desirable to delegate members of the Commission who specialised in particular subjects for temporary work in certain enterprises, institutions or lower planning commissions, where there was need for professional help. Uniformity of forms and methods of planning of all the plan-

32 Ibid.

ning commissions and bodies was imposed as an imperative with a view to more successful plan implementation.³³

The first two post-war years were labelled by the top CPY officials as the “transitional phase”, which was planned to carry out radical changes in the country’s social and economic structure. Immediately after the Law on the General State Economic Plan and State Planning Bodies was announced, followed the first explanations relating to further steps to be taken with respect to the development of the command-planned economic system. On that occasion the facts in the economic area were summed up and it was concluded that the economic and social systems had within themselves numerous “contradictory elements”. These contradictions were reflected in the existence of the state sector on one, and the private sector (private industrial enterprises, private trade, individual craft shops and around two million small village holdings) on the other side. In this situation, encompassing the whole economy by one general plan was hardly feasible. As a result, attempts were made to initially reduce the scope of the plan to only the most important branches of economy which could, by their development, lead to a development of economy and society in general. This task was taken on immediately upon the Law coming into force, while the work on the organisation of planning institutions was carried on during June 1946.³⁴

The Federal Planning Commission got its first organisation form at the beginning of July. The then adopted organisation scheme was not definitive, and it was emphasised that the organisation forms would “of necessity” be altered with the expansion of the planning base and economy development.³⁵ According to the temporary rules on internal organisation, the office of the Federal Planning Commission consisted of 22 departments, four independent divisions, the Secretariat, the State Statistical Office, the State Revision Office, the Standardisation Commission, the Economic Institute and the Patent Office.³⁶ In organising the structure of the Federal Planning Commission, the twenty-five years of experience of the Soviet Gosplan and its organisation scheme were the only example Yugo-

33 Ibid.

34 AJ, 41-557-861, Obrazloženje Zakona o opštedržavnom planu i državnim organima za planiranje, 1946. godina.

35 AJ, 41-557-862, Bojan Kugler’s presentation from the Federal Planning Commission conference, judging by the content most probably from June-July 1946).

36 AJ, 41-1-1, Organizaciona šema ureda Savezne planske komisije, 1946. godina.

slavia could follow. The specific nature of the country's economic structure prevented the Yugoslav planners from thoroughly "copying" the Gosplan organisation system, so that the organisation of the Federal Planning Commission eventually underwent changes in line with the circumstances and requirements of the Yugoslav economy. The pivot of the Federal Planning Commission consisted of the departments of general planning, material balances, labour and human resources, and the finance department. This quartet was the backbone of the Commission and the success of overall planning depended on its proper functioning.³⁷

The work of the Federal Planning Commission office was managed by the chair, who was assisted in their work by deputy chairs. The deputy chairs, following the instructions of the chair of the Commission, managed groups of departments, as well as the work of the State Statistics Office and the Federal Standardisation Commission.³⁸ The Federal Standardisation Commission was one more innovation within the Federal Planning Commission, and work on its organisation and scope of activities was stipulated by the Government Decree of September 1946.³⁹ The Commission and its bodies were entrusted with tackling the problems of standardisation in all the branches of economy, technology and labour, developing new production and technological methods, accelerating the circulation of technical assets and increasing the cost-effectiveness of enterprises.⁴⁰ The Federal Administration for the Promotion of Production was intended, in this sense, to provide it with significant professional support.⁴¹

The republic planning commissions were organised far more modestly than the Federal Planning Commission. They had a simpler organisational structure, the reason for which lied in their narrower scope of operations. The organisation of all the republic planning commissions was of a uniform type, and their organisation scheme design had to offer a model which would fit the specific features of each republic's economic

37 AJ, 41-1-1, Privremeni pravilnik o unutrašnjoj organizaciji i poslovanju Ureda Savezne planske komisije, 1946. godina.

38 Ibid.

39 AJ, 41-1-1, Ekonomska politika i standardizacija, 26. novembar 1947. godine.

40 AJ, 41-1-1, Uredba o standardizaciji, 26. septembar 1946. godine.

41 AJ, 41-1-1, Organizacija i podela zadataka na unapređenju proizvodnje.

structure.⁴² The pivot of the organisation of each republic's planning commission, as well as of the Federal Planning Commission, was made up of the departments of general planning, material balances, labour and human resources, and the finance department. It was essential to pay special attention to these departments of primary importance, as their strengthening was the precondition of overall planning success. The related branches of economy which had their separate departments in the central planning commission were integrated in the republic planning commissions into a single department, so that the planning commissions initially had fewer departments. However, as a result of a shortage of staff in the departments of individual republic commissions, primarily the commissions of Bosnia Herzegovina, Montenegro and Macedonia, their work was taken over by the planning departments of the competent ministries, while the duty of the planning commissions was to coordinate and integrate their plans into a single plan.⁴³

The planning departments of the federal and republic ministries were formed in 1946 according to the economic priorities. The first group of ministries which obtained their planning departments and professional divisions within them, which were during 1946 somewhat more fully organised than the rest, were the ministries of industry (both heavy and light), mining, electric power industry and agriculture. The first four of the ministries mentioned above had the same organisation structure, which consisted of six departments, being the departments of the production plan, the capital construction plan, the financial plan, the human resources plan, the records and transportation plan. The ministry of agriculture differed only in that the production plan department was branched out into several branches which covered a broader agricultural area.⁴⁴ The planning sectors of the other ministries started to be set up and developed during the autumn. The work on their organisation was not completed during 1946, so that the realisation of this goal was left for the first half of 1947.⁴⁵

42 Arhiv Srbije (AS), Planska komisija Narodne Republike Srbije (PKNRS), 29-1, Organizacija planske komisije Srbije, 2. jul 1946. godine.

43 AJ, 41-557-862, Referat Bojana Kuglera sa konferencije Savezne planske komisije.

44 AJ, 41-1-1, Predlog organizacije planskih sektora ministarstava.

45 AJ, 41-2-2, Zapisnik sa konferencije Savezne planske komisije održane 1., 2. i 3. oktobra 1946. godine, Izveštaji predstavnika saveznih ministarstava i komiteta.

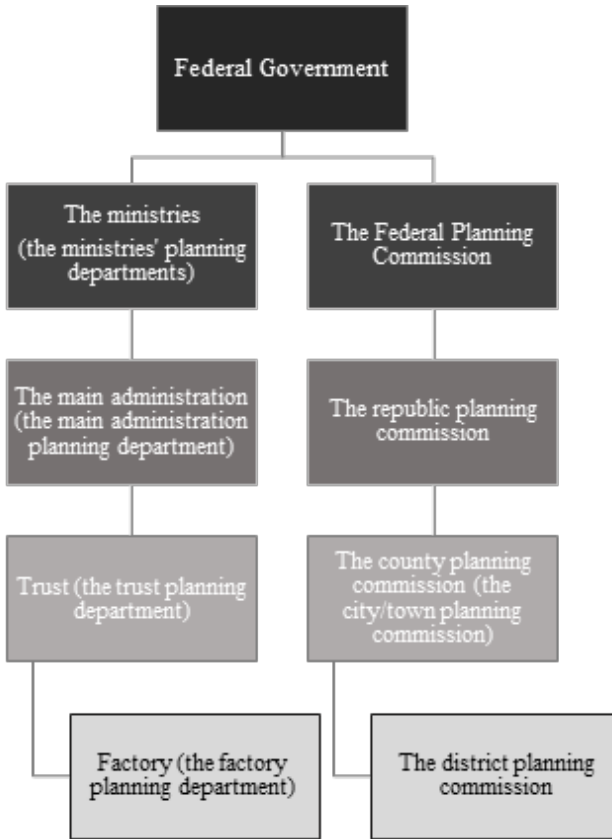


Figure 1: The hierarchical structure of the planning commissions and planning departments within economic authorities

At the lowest level of the planning organisation there were the county and district/town/city planning commissions within the people's county, district, and town/city committees. The organisation of a district planning commission was identical to the organisational pattern of the district and town/city planning commissions, the only difference being that the county planning commission covered a larger area within its scope of activity. With authority to oversee all the plan segments at the level of counties and districts of a particular county, the county planning commission integrated the plans and coordinated the work of the district and town/city planning commissions. Given that several districts of different sizes and economic development made up one county, this had the most influence on the number of staff working with the county planning

commissions.⁴⁶ On the ground floor of the planning system was the final link in the planning bodies' chain, i.e. the district and town/city planning commissions. They consisted of the planning commission chair, one secretary and members, from three to five minimum initially, and more if required. The planning commission chair was a member of the People's Executive Committee, while the persons appointed as members could be from within the ranks of committee members, leaders of trade unions, co-operatives and professionals. The size and composition of the local planning commissions (the district and town/city commissions) were determined according to the size and economic development of the areas. The professional administrative apparatus included the segments of production, investments, records, statistics, economic balance sheets, utility-housing-cultural-health domain and the general plan. This organisation skeleton was not strictly applied in all the districts, but was an example to be adopted across the country during the development phase. The planning commission of each district and town/city was expected to pay special attention to those departments the activity of which covered activities of special importance to the local economy.⁴⁷

46 AJ, 41-1-1, Funkcije okružnog narodnog odbora u planskoj privredi, čl. 47.

47 AJ, 41-1-1, Predlog organizacione sheme sreskih i gradskih planskih komisija; In their ideological definitions, the Yugoslav communists spoke highly of the role of masses in leadership. But their actual role, although the 1946 Constitution guaranteed the realisation of "full people's democracy", was minimal in reality. However, that did not mean that with the passage of time and the strengthening of the socialist principles in the broad section of the population this would remain a permanent category. The monopoly of the Communist Party of Yugoslavia, in the opinion of leaders of the Yugoslav revolution, was just a transitional solution. In view of that, the creators of the Yugoslav command-planning system attempted to establish, in the district and town planning commissions, an institution which would enable citizens' active participation in planning. The institutional solution, which was to play an increasingly important role in the future, were planning councils. The leadership of the Communist Party of Yugoslavia counted on successfully carrying through the socialist building undertaking, and thus creating the conditions for the decentralisation of power, and of planning as a result. The importance of people's district committees and planning commissions would grow with the decentralisation process, while the work of planning would become more extensive and more responsible. The command component of the planning system would die down as a result, and the local self-governments in the form of people's district and town committees would take over the competences of the central state authorities. However, this idea only represented the direction of the society's movement as envisioned by the CPY leaders, while the needs of everyday life called for more direct management methods (Branko Horvat, *Ekonomska teorija planske privrede*, (Beograd: Kultura, 1961), 287).

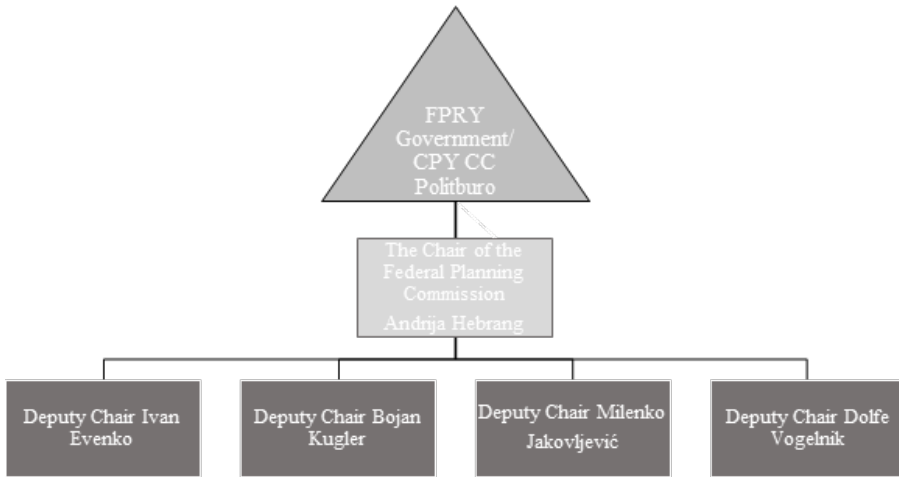


Figura 2: The first management structure of the Federal Planning Commission

Most districts in the country had until the autumn of 1946 not succeeded in organising the local planning commissions due to a shortage of professional staff. However, the more developed districts of the country successfully overcame this organisation phase and were in a way an indicator based on which the chairs of the Federal Planning Commission analysed the failures to that point, and that trend of development of the local planning bodies was used to set up their reorganisation plan. The new work method was supposed to involve the local enterprises in the course of planning, along with the local planning commissions.⁴⁸ This interactive model, in the economic circumstances of the time, was not enforceable, and it was quickly abandoned, and its realisation postponed for a more convenient time.⁴⁹ The chair of the Economic Council and the minister of industry, Boris Kidrič, gave the issue of staff equal priority as the issue of financial assets. The human resources policy, in his opinion, merited special attention with a view to appropriate plan fulfilment. In his consideration of the further directions of the human resources pol-

48 By the Law on State-Owned Enterprises, the enterprises were given the status of legal entities, but in practice lacked operational independence because, like state authorities, they were controlled by the state. The owner (the state) made decisions on the enterprise's administrative-operational management, which had the highest governing powers in managing the enterprise, while the state used this body to execute its plans by directives (Branko Petranović, *Politička i ekonomska osnova narodne vlasti u Jugoslaviji za vreme obnove*, (Beograd: ISI, 1969), 252–253).

49 AJ, 41–1–1, Predlog organizacione sreskih i gradskih planskih komisija.

icy, he emphasised that the human resources policy had to be granted the same status it had in the Soviet Union. This primarily meant accepting Stalin's position that the staff "resolves all", but also the premise that only the staff with sufficient expertise can respond to the economy modernisation challenges. In that regard, Kidrič emphasised the need for the creation of a "new type" of staff who would, in addition to their expertise, also be politically profiled in accordance with the changes of the social reality. The socialist society required a "socialist man", and "socialist cadres" to build the new society. These theses by Kidrič resulted from the attitude of the general CPY line, which treated the "old society" cadres with mistrust, so that the top CPY officials often stressed the need for the most efficient possible creation of their own cadres, which would replace the old ones on all levels.⁵⁰

The Federal Planning Commission was one of the new-type institutions which, with respect to cadres, had the authority to conduct partially independent politics. The possibility to choose their own cadres from the very beginning was in a sense a privilege of this institution, as the FPC had the first choice. The Commission's staff policy was the responsibility of the personnel department and the department of labour and human resources, which were assigned the task to, for the purpose of the best possible cadre distribution, maintain contacts with the lower planning commissions and keep records relating to cadre issues, which would serve as basis for developing a more comprehensive strategy.⁵¹ From an early stage, these departments faced major setbacks as a result of a general "staff crisis" in the country. Problems arose both in relation to the lower planning instances, and in the Federal Planning Commission itself. Even though the Commission had gathered an adequate number of expert associates, the new work method, which was quite unfamiliar for a large majority of them, introduced difficulties in performing everyday tasks. Those difficulties were reflected in an uneven distribution of work, so that it often happened that the heads of individual departments carried out the tasks themselves, thus slowing down the work, instead of engaging all the associates by distributing the responsibilities in an even manner.⁵² As a result of this, and all the other problems relating to planned

50 Boris Kidrič, *Sabrana dela, Članci i rasprave 1946–1948*, (Beograd: Kultura, 1959), 110–120.

51 AJ, 41-1-1, Izveštaj Personalnog odeljenja Predsedništvu vlade FNRJ, 9. avgust 1946. godine).

52 AJ, 41-2-2, Zapisnik sa sastanka načelnika odeljenja, šefova odseka i referenata Savezne planske komisije, održanog 21. novembra 1946. godine.

work and planning, the staff were obliged to attend professional courses and study the Soviet literature, which was translated for professional development requirements.⁵³

Along with the chairman A. Hebrang, the Commission deputy chairs also played an important part in the development of the Federal Planning Commission and in supplying it with cadres. The deputy chairs of the Commission were Bojan Kugler from Croatia, Milenko Jakovljević from Serbia, Dolfe Vogelnik from Slovenia and the Soviet economic expert Ivan Evenko, who took an active part in cadre selection. I. Evenko was one of the leading Soviet post-war economists and the author of the significant work "Planning in the USSR", and his arrival was linked to the professional assistance sent to Yugoslavia by the USSR.⁵⁴ On his arrival, around the beginning of 1946, Evenko was assigned the task to, while also working on establishing planned economy institutions, train the Yugoslav planners for working on the new principles.⁵⁵ With regard to recruiting the staff for working with the Commission, Evenko underlined the need to only employ the best economists and engineers who, in addition to the professional qualifications, had to be reliable in political terms. This criterion was consistently applied as much as the capacities allowed, and the capacities in 1946 were such that the professional staff meeting both conditions were scarce.⁵⁶ This situation had not substantially changed by the end of 1946, not only due to a shortage of experts for the planning bodies, but also because the whole economy was facing the same problem. In such circumstances CPY was forced to abandon the dualistic principle of

53 The works were written by Soviet economists: A. Курский, *Социјалистичко планирање народне привреде СССР*, Москва 1945; J. Ganopoljski, *Kontrola izvršenja proizvodnog plana industrijskog preduzeća*, Moskva 1944; Л. Володарски, *Планирање месне привреде и културне изградње*, Москва 1945; A. Petrov, *Kurs industrijske statistike*, Moskva 1944; V. Bunimovič, *Cena koštanja i način snižavanja*, Moskva 1945; A. Леонтјев, *Совјетски метод индустријализације*, Москва 1946; V. Kovaljenkov, A. Нрамој, *Автоматизација производних процеса у индустрији*, Москва 1939; Часопи "плановоје хазјајство", 1945–1946; Г. Сорокин, *Стаљински петогодишњи планови*, Москва 1946 (AJ, 41–111–197, Sovjetska ekonomska literatura, 1945. godina).

54 *Југословенско–совјетски односи 1945–1956, Зборник докумената, приређивачи Љубодраг Димић и други*, (Београд: Министарство спољних послова Републике Србије/Министарство иностраних послова Руске Федерације, 2010), 36–38.

55 AJ, 41–2–2, Sastanak potpredsednika Savezne planske komisije od 23. septembra 1946. godine.

56 AJ, 41–1–1, Referat Ivana Evenka o organizaciji Planske komisije, 19. februar 1946. godine.

expertise and political suitability, and to turn to the implementation of a more elastic personnel policy.

„Total“ planning in economy

Around the beginning of 1947, the discussions regarding the initiation of the First Five-Year Plan of economic development took most of the time during the Politburo sessions. The importance of the Plan is reflected in the views of the Yugoslav marshal who in those months pointed out “that there is no departure from the plan”.⁵⁷ This aspiration of the Yugoslav communists and reliance on the Soviet experiences resulted in the passage of the Law of the First Five-Year Plan. The Five-Year Plan was an expression of the desire to overcome economic backwardness and root out poverty in the shortest possible time. In the opinion of the key CPY officials in charge of economy, the most effective way to accomplish such a major undertaking lied in detailed planning, military discipline and accelerated industrialisation and electrification of the country.⁵⁸ Thus, the main task of the five-year plan of economic development of Yugoslavia consisted in raising the industrial potential by building new factories, power plants, and carrying out the technical reconstruction and modernisation of the existing enterprises. During the plan term, the economic planners intended to improve work in the existing plants, carry out the mechanisation of work processes, the concentration of smaller machinery plants and a specialisation of factories, to introduce new work methods, modern technology and up-to-date technological processes. With a view to realising the greatest possible self-sufficiency of the Yugoslav economy, the capacities of the existing plants were to be raised as much as possible by reconstructions and expansions, and bottlenecks in factories eliminated with the supply of new machines, and those in economy by building up to that point non-existent plants in the country.⁵⁹

In the opinion of the Yugoslav communists, heavy industry was of first-class importance for the overall progress of the country, and its development was a far-reaching solution to the issue of improvement in other

57 *Zapisnici sa sednica Politburoa Centralnog komiteta KPJ: 11. jun 1945-7. jul 1948*, 194.

58 Б. Кидрич, *Привредни проблеми ФНРЈ*, (Београд: Култура, 1948), 7–22.

59 *AJ*, 41–138–261, *Tekst Petogodišnjeg plana 1947–1951, Opšti zadaci*, 15. april 1947. godine.

branches of economy.⁶⁰ The principal aim of heavy industry building was towards achieving a sufficient level of technical knowledge, which was intended, through a synergy of all its branches, to produce machines necessary for a more efficient exploitation of natural resources. The machines, as superior production tools, were intended to facilitate the achievement of high productivity and thus ensure the elementary preconditions of faster economic development and growth.⁶¹ The rationalisation and reconstruction of industry, primarily heavy industry, thus became the main levers of modernisation on the path of socialism development.⁶² In relation to agriculture, heavy industry had, through its mechanisation, electrification and fertilisation, to do away with the primitive tillage method and in turn solve the centuries-old burning issue of population sustenance. The mechanisation of all branches of economy became the imperative of state policy in the economy. Heavy industry was the primary element in economy development, and the government, through a series of measures, gave it priority, focusing on the staff, loans, materials and foreign currencies.⁶³ Generally speaking, the idea to stop the export of domestic raw materials at extremely low prices and the import of finished products from abroad lied at the core of the new industry policy of developing an all-embracing production-oriented national economy.⁶⁴

The passage of the law on the First Five-Year Plan definitively eliminated one of the crucial uncertainties regarding the country's economic development.⁶⁵ It concerned the industrialisation strategy that during the first half of 1946 sparked the first disagreements in the managing structure, the CPY Central Committee Politburo.⁶⁶ The Plan finally tipped the balance in favour of the concept of heavy industry development, thus

60 Nikola Čobeljić i Radmila Stojanović, *Teorija investicionih ciklusa u socijalističkoj privredi*, (Beograd: Savremena administracija, 1966), 126–127.

61 N. Čobeljić, *Politika i metodi privrednog razvoja Jugoslavije*, (Beograd: Nolit, 1959), 53–66.

62 AJ, Savet za mašinogradnju Vlade FNRJ (SMVFNRJ), 6–26–27, Zadaci Ministarstva teške industrije u Petogodišnjem planu, 1947. godina.

63 AJ, Generalna direkcija crne metalurgije Vlade FNRJ (GDCMVFNJR), 106–13–24, Podaci o teškoj industriji, 8. april 1949. godine.

64 AJ, 41–146–278, Referat o industrijskim centrima Jugoslavije, 28. maj 1945. godine.

65 AJ, 41–137–260, Petogodišnji plan razvitka narodne privrede Jugoslavije, Njegov značaj i zadaci.

66 A. Ракоњац, „Почеци привредног планирања у Југославији 1946. године – идеје, организација и институционализација“, 160.

eliminating any doubts about the course of further development.⁶⁷ This meant evening out the inherited imbalance between the light and heavy industries by larger investments into ferrous and non-ferrous metallurgy, metal, chemical and electric power industry. The development of these basic industries was intended to, in the near future, foster the development of all the other industry branches, and within the industries mentioned above, all the efforts and resources were at first subordinated to the production of production instruments. In other words, the development of the heavy industry was intended to gradually substitute the import of the products which had to that point been imported from abroad, while there existed all the natural and economic capacities for their fabrication in the country. This would create a strong basis for the economic expansion of the whole country, and in turn a balanced development of all the branches of economy which would not initially attract large investments.⁶⁸

The asymmetric historical development of the regions led to a disproportion in the distribution of material wealth. Due to its communications and natural features, the northern part of the country was far more advanced in the material sense than the southern part of the country, crisscrossed by mountains and ravines.⁶⁹ This disparity, in which the “industrial north” had over those decades created an increasingly growing superiority in wealth to the “agrarian south”, was to be alleviated as much as possible by the realisation of the Five-Year Plan. A regular distribution of the factories newly erected during the First Five-Year Plan would gradually eliminate those inequalities in the production capacities of individual republics. The economic planners paid particular attention to the existing raw materials and energy base, the specific features and social structure of any given republic, as well as to the general state expediency. This ultimately meant a strict overall rationalisation through mastering new technological processes, which would reorient production primarily towards the use of the raw materials which the country had available in sufficient quantities, while the most suitable organisational

67 *Zapisnici sa sednica Politbiroa Centralnog komiteta KPJ: 11. jun 1945-7. jul 1948*, 200.

68 AJ, 41–137–260, *Tekst plana industrije*, 9. april 1947. godine.

69 Snežana Ђуровић, *Са Теслом у нови век: нова синтеза историје, Изабрани чланци из економске историје Србије и Југославије 1918–1941*, (Београд: Завод за уџбенике, 1997), 63–65.

form of enterprise for such a complex exploitation of resources, according to the planners, were combined plants.⁷⁰ The exchange of experiences in production between factories from different parts of the country, the specialisation of the production capacities of enterprises by introducing modern serial fabrication, raising product quality and an active application of the most recent scientific research, were planned to raise the work productivity by 70% in five years at the general level, thus enhancing the welfare of the whole country.⁷¹

The elimination of economic and technical backwardness was intended to strengthen and further develop new production relations. In the political sense that meant fortifying the socialism foundations.⁷² The annual plans within the Five-Year Plan in the field of industry primarily complied with fulfilling the tasks of the First Five-Year Plan. They were conceptually designed in such a way as not to represent exclusively proportionate, aliquot parts of the Five-Year Plan, but rather integral parts, with the aim to fulfil all the tasks of the Five-Year Plan, so that the projected industrialisation pace differed from one year to another. The plan set the task of increasing the value of industrial products by approximately five times compared to 1939. The 394% rise of industrial production in 1951 compared to production before the war, both in the quantitative and in the qualitative sense, would change the country's economic structure and reduce dependence on the import of capital goods. However, the strategists of the economic development of Yugoslavia were fully aware that absolute independence from import was not possible, not even for far more highly developed industrial countries, so that it was never under consideration as the ultimate aim of economic policy. This made any economic autarchy impossible, but efforts were made to exploit to the utmost all the resources of domestic origin in the future industrialisation period.⁷³

During 1946 the organisational structure of the Federal Planning Commission and the other planning institutions was set up with considerable help of Soviet consultant Ivan Evenko. The foundations of command-planned economy were reinforced by the summer of the same year,

70 AJ, 41-138-261, Tekst petogodišnjeg plana 1947-1951, Opšti zadaci.

71 AJ, 41-137-260, Tekst plana industrije.

72 AJ, 41-137-260, Privredno-politički zadaci.

73 AJ, 41-146-278, Odgovori na pitanja o industrijalizaciji i razvitku industrije u Jugoslaviji.

which was followed by their in-depth strengthening. Before the end of the year the preconditions of transition to total planning were created and the necessary knowledge gained for adopting the general state economic plan. At the beginning of 1947 the organisation of the Federal Planning Commission entered the first reorganisation phase after its formation. The transfer of a large part of the economy into the hands of the state after the nationalisation at the end of 1946, the growing complexity of the production processes due to production modernisation and the drawing up of the extensive First Five-Year Plan of industrialisation imposed the revision of certain organisation segments. Discussions were initiated at the beginning of March regarding changes to the organisational structure, as there were doubts about the distribution of additional duties within the Federal Planning Commission and, in that regard, the appointment of one more deputy chair in charge of general issues and proportions.⁷⁴ On that occasion it was determined that there was not sufficient delimitation between the departments and that proper cooperation had not been organised between divisions and departments, this being the main cause of difficulties in the work of this institution. The result was the drawing up of a reorganisation scheme, while the organisation would still be based on four departments, as initially established.⁷⁵ The department leaders, holding the positions of deputy chairs, were no longer the Soviet consultant Ivan Evenko and Bojan Kugler, who had played a key part in the establishment of the planning institutions. Their place was occupied by Vlajko Begović, who came from the Federal Control Commission to the position of head of the proportion plan department, while Dušan Čalić, who had returned from political economy studies in Moscow, was appointed the chair of the general plan and records.⁷⁶ Around the end of 1947, the head of the Standardisation Office, engineer Boris Prikrič, acquired the rank of the FPC deputy chair.⁷⁷

74 AJ, 41-1-1, Predlog organizacione šeme SPK, 3. mart 1947. godine.

75 AJ, 41-1-1, Rad i problemi Savezne planske komisije od 7. do 30. maja 1947. godine.

76 AJ, 41-1-1, Šema organizacije Savezne planske komisije, 9. Jul 1947. godine: IAB, 2821-1, Personalni dosije, Begović Vlajko.

77 AJ, 41-1-1, Sekretarijat podpredsednika za plan proizvodnje, Rešenje o naknadi troškova za službena putovanja, 21. oktobar 1947. godine.

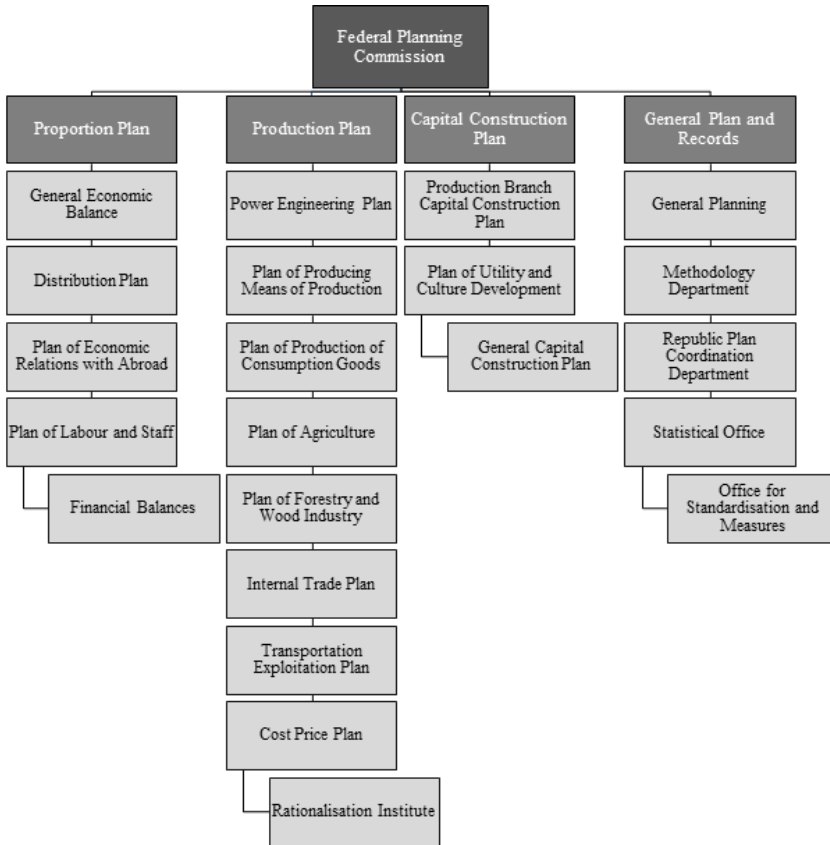


Figure 3: The reorganisation of the Federal Planning Commission from the summer of 1947

The reorganisation raised the question of the supply of staff due to the expansion in the planning segments. The proportion plan department employed 14, the production plan 21, the investment plan 13 and the general plan and records department had 33 employees. It was then that the demand for the employment of 87 more professionals in the field of economy was projected, while the FPC management thought that 50% of the staff required could be found among the final year students of colleges and secondary technical and economic schools.⁷⁸ The development of the higher-level planning bodies was formulated during 1947, at a time when plenty of work was also done concerning the formation of the planning departments within production units. The planning department of

78 AJ, 41-1-1, Potreba Savezne planske komisije za kadrovima, 1947. godina.

the largest footwear industry enterprise, the “Bata” rubber and footwear combined plant from Borovo, which had 4,920 employees, although established in the spring of 1947, was only formed in the May of the following year. The organisation of this department was not given sufficient attention by the management of the combined plant. However, the companies from within the Federal Government’s competence for the most part founded their planning divisions during 1948.⁷⁹

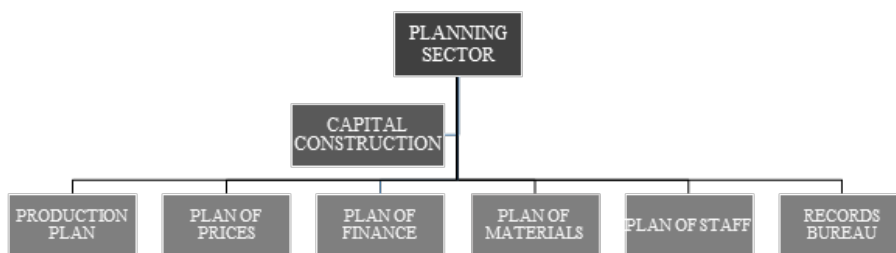


Figure 4: The organisation of the planning departments in enterprises at the beginning of 1948⁸⁰

Due to the establishment of new enterprises, the First Five-Year Plan underwent frequent reconstructions. One such reconstruction was carried out in mid-1948, when after consultations between the representatives of the republic ministries for industry, the federal ministries for industry and the Federal Planning Commission, the decision was made to start the reconstruction of the initial Five-Year Plan. They agreed on the order of the decisions to be carried out. The first step was to carry out the rebalance of the industrial production five-year plan, which was followed by the harmonisation of the federal industrial production five-year plan with the plans of the republics.⁸¹

The beginning of the conflict with the Soviets and the purge of disloyal elements in the Yugoslav leadership had a significant effect on

79 AJ, 10–73–75, Izveštaj o izvršenoj kontroli preduzeća „Jugoslovenski kombinat gume i obuće Borovo“, 30. april 1948. godine.

80 AJ, Generalna direkcija savezne metalne industrije Ministarstva teške industrije FNRJ (GDSMIMTIFNRJ), 140–1–1, „Jugoalat“, Fabrika alata, Novi Sad, 10. mart 1948. godine.

81 AJ, 41–140–263, Odluka o rebalansu Petogodišnjeg plana sa savetovanja SPK, Ministarstva lake industrije i ministarstava lake industrije republika, 20. jula 1948. godine.

the planning institutions.⁸² The removal of A. Hebrang from the head of the FPC in May 1948 and the arrival of Boris Kidrič in that position announced the implementation of more decisive moves in the field of planning in economy.⁸³ By combining the titles of the chairman of the Economic Council and the Federal Planning Commission, Kidrič set in motion the process of disciplining the whole economic hierarchy. As the country was under increasingly obvious political and economic pressure from the East, it was a logical course of events. He emphasised in the joint conferences and boards of the top-level economic institutions the “very dangerous tendency of giving more free rein to the republics” as there was no “material base” for giving them greater independence. He believed that the economic organisation, despite the country’s federal system, had to remain centralist, but encouraged the republic planning commissions to enable with their proposals a more proper implementation of the initiative from the top.⁸⁴

The ever-expanding job of planning had to be entrusted, since 1948, to the planning commissions which were already firmly hierarchically organised on all levels. The FPC was no longer able to perform several functions at the same time, and B. Kidrič was forced to delegate responsibilities to the lower instances. The ministries, general and main directorates and planning departments within enterprises were entrusted with operative planning and plan execution. The annual plans were divided into the quarterly, monthly and ten-day plans. During 1949 the plan included around 13,000 product groups, and each enterprise was obliged to submit between 600 and 800 different reports per year to their superordinate authority. The exaggerated administrative demands kept swamping the central economic institutions with different documents to the extent that the annual economic plan stored in the FPC archives weighed over a tonne. Occasional administrative chaos and ruling by decree were for the most part unfeasible, so that the enterprises mainly held on to the gener-

82 Najdan Pašić i Kiro Hadži Vasilev, „Komunistička partija Jugoslavije u borbi za izgradnju temelja socijalizma i za odbranu nezavisnosti Jugoslavije (1945–1948)“, u: *Pregled istorije Saveza komunista Jugoslavije*, urednik Rodoljub Čolaković, (Beograd: Institut za izučavanje radničkog pokreta, 1963), 423–463.

83 AJ, 836/II–5–a–1/13, Obrazloženje predsednika Vlade FNRJ Josipa Broza Tita o predlogu za razrešenje s dužnosti ministra Vlade FNRJ Sretena Žujovića i Andrije Hebranga na sednici prezidijuma narodne skupštine FNRJ, Beograd, 5. maj 1948.

84 *Privredna politika Vlade FNRJ, Zapisnici Privrednog saveta Vlade FNRJ 1944–1953*, I–IV, priredili Momčilo Zečević i Bogdan Lekić, (Beograd: Arhiv Jugoslavije, 1995), II/200–201.

al plan elements and plan execution was overwhelmingly handed over to the self-initiative of factory managers. Managing economy as some mammoth enterprise was, in a word, unsustainable without the active participation of lower tiers of the economic structure.⁸⁵

During the first half of 1949 B. Kidrič developed a very lively activity on all levels with the aim of fixing the principles of planning as deeply as possible into the economic structure. He encouraged the development of many short courses in which the instructors had the task to train the future planners of the lower planning institutions as quickly as possible for more complex planning operations in 1950.⁸⁶ The increasingly complex planning demands forced the FPC to start transferring some of its responsibilities to the republic planning commissions in the summer of 1949 and to intensify preparations for county and town/district planning commissions to take over more responsibility as well.⁸⁷ The growth of economy in the country industrialisation process produced increasingly complex organisation forms. The complex administrative system which generated such a process began, with time, to produce additional, often unnecessary documentation.⁸⁸ On the other hand, the break with the Soviets led to a new course of state policy, which was announced by passing the Instruction on the establishment and work of workers' councils of state-owned companies on 23 December 1949, and definitely confirmed on 27 June 1950 by adopting the Basic Law on the Management of State-Owned Companies and Higher Economic Associations by Labour Collectives.⁸⁹ In this way, by steering the country in the opposite direction, the CPY actually set out in search of its own path to socialism. This practically meant abandoning the Soviet economic principles of the time, initiating the democratisation of the state and society, decentralisation of power and debureaucratisation of the state apparatus. It was the confrontation with the accumulated bureaucratic tendencies due to the economic reorganisation that resulted in the simplification of all the planning segments.⁹⁰

85 Branko Horvat, *Privredni sistem i ekonomska politika Jugoslavije: problemi, teorije, ostvarenja, propusti*, (Beograd: Institut ekonomskih nauka, 1970), 27; Ljubomir Madžar i Aleksandar Jovanović, *Osnovi teorije razvoja i planiranja*, (Beograd: Savremena administracija, 1995), 176–179.

86 *Zapisnici Privrednog saveta Vlade FNRJ 1944–1953*, II/334–335.

87 AJ, 41–4–4, Zapisnik savetovanja predsednika oblasnih, gradskih i kotarskih planskih komisija održanog u subotu 11. juna 1949. godine u prostorijama Planske komisije Narodne republike Hrvatske u Zagrebu.

88 IAB, 2821–8, Radnička klasa, radnički saveti, 7–11.

89 AJ, 507/XI–1–80, O radničkim savjetima, 3. novembar 1952.

90 *Zapisnici Privrednog saveta Vlade FNRJ 1944–1953*, II/701.

The beginning of economic reorganisation in the spring of 1950 had a decisive influence on the Federal Planning Commission's work. The need for a new reorganisation was created with the beginning of a general economic reorientation towards workers' self-management. The need arose to simplify and fortify the FPC's position in the new circumstances. In the first place, it was essential to define the relation to the councils which were in the formation process. In terms of organisation, the FPC was still relying on only one proportion department, with the following six groups or divisions formed within it: 1. The methodology and organisation group 2. The group for the social product and the national income 3. The group for production, reproduction, and material balance matching 4. The group for investments in general, their distribution by branches and spread across the territory 5. The group for commodity and purchase funds 6. The group for labour and staff 7. The group for the balance of payments and the foreign trade balance. These groups developed the basic proportions together with the councils and the republics. The total number of employees was reduced five times with 32 persons remaining at work in this institution. The adoption of this organisation meant a consistent implementation of the line of decentralisation of management in economy and elimination of the technocratic and administrative methods in FPC work. The reorganisation was finished during June and FPC was entrusted with setting the basic plan proportions in close cooperation with the councils, The Production Development Administration and the Records Administration.⁹¹ Then, according to the decree of the Presidium of the People's Assembly from 31 May, the FPC members became the chairs of the republic planning commissions.⁹²

One of the last moves with the participation of the already downgraded FPC was the proposal for the implementation of the First Five-Year Plan to be extended by one year. The draft of the "Law on the Extension of Implementation of the Law on the Five-Year Plan of Development of the National Economy of FPRY in the years 1947-1951" was adopted by both houses of the People's Assembly, so that the implementation of the Law on the Five-Year Plan of Development of the National Economy of FPRY was extended by one year. The FPRY Government was authorised to ensure the implementation of this Law and it took all the measures required for executing the remaining tasks of the Five-Year Plan to the

91 AJ, 41-1-1, Zapisnik sa sastanka Kolegijuma Savezne planske komisije, održanog 19. maja 1950. godine u 9 časova.

92 „Ukaz o sastavu Savezne planske komisije“, Službeni list FNRJ, 38/50.

end of 1952, and the Law entered into force on 1 January 1951.⁹³ During March 1951 this institution was reorganised for the last time. The FPC's scope of work included the preparation, drawing up and submission to the Federal Government of long-term and current general state economic plans, as well as the duty to ensure adequate proportions in the development of individual branches of economy. On the basis of the opinions and instructions received from the Economic Council of the FPRY Government, and in cooperation with individual federal councils, ministries and committees, it outlined the first proportions of the annual plan and defined the final proportions. It organised the research activity and took care of improving economic and technical knowledge and experience. Under its direct management were the Federal Administration for the Improvement of Production, the Federal Records Administration, the Federal Statistical Office, the Federal Institute of Civil Engineering and the Institute of Electrical Communications.⁹⁴

The change of the paradigm during the fifties was in stark contrast to the state organisation of the economy and the administrative-centralist approach to management adopted from the USSR. The abolishment of the old proprietary forms according to which the factories were owned by the state, their transition to public property, under the direct management of workers, and "letting the law of value act freely", had a crucial influence on redefining the course of the time in the field of economic planning.⁹⁵ With the system reform, the FPC lost the role it had had at the beginning. Work according to the new principles was "dead letter", and less than a month from this last reorganisation the state decided to finally disband the Federal Planning Commission. Before long, the planning institutions on all the levels faced the same fate. The competences of all the planning commissions were transferred to the Economic Council and the newly established Main Planning Administration, which only had a research-advisory role in the new system.⁹⁶ However, the end of managing the economy through the state's extensive macroeconomic planning did not mean a

93 *Народна скупштина ФНРЈ, Стенографске белешке Другог редовног заседања Савезног већа и Већа народа, 27-29. децембра 1950*, (Београд: Президијум Народне скупштине ФНРЈ, 1951), 151.

94 *AJ*, 41-1-1, *Nadležnost Savezne planske komisije posle reorganizacije iz marta 1951. godine*.

95 *AJ*, 40-6-11, *Zapisnik sa konferencije druga predsednika Privrednog saveta Vlade FNRJ, održane 30. marta 1951. godine*.

96 *AJ*, *Glavna uprava za plan (GGUP)*, 129-2-5, *Razrada metodologije planiranja, 1951. godina*.

break with development planning as a management method. The planning sectors survived on the micro-level in enterprises, and with transition to a new economic system they assumed an important role in the planning of development and growth of direct production units.

From Corporate to Cooperative Economic Structure: Forms of Organisation of the Economy in Yugoslavia (1945–1951)

After the liberation of the country, industrial and mining enterprises gradually developed in a diametrically opposite direction from that before the war. At first, right after the liberation of one part of the country, leadership was in the hands of the State Administration of National Assets, and then passed under the competence of the republic and federal ministries of industry, i.e. mining and electric power industry. In the beginning, the federal ministries managed only some of the more important enterprises from different branches of industry, such as mining and electric power industry, while later they included industries of general state importance, such as metallurgy, electrical industry, energetics and chemical industry. The other enterprises were managed directly by the republic ministries. Despite this organisational decentralisation, the tasks all the ministries were facing were becoming bigger and more extensive, so that the ministries turned into operational bodies often “lost in minor things”, solving problems of individual enterprises concerning the procurement and distribution of raw materials, propellant and auxiliary materials, direct distribution, etc. Thus, the ministries lost their role of institutions of general management and coordination, and to a large extent control of the work of the entire industry and mining, which was also the case with both federal ministries. There was also a lack of coordination in the work between individual republics, so the tendency of local patriotism began to manifest itself more and more with regard to general matters, especially in the procurement of raw materials, fuel and other materials.⁹⁷

Another group of problems faced by ministries stemmed from technological obsolescence of certain parts of industry and mining. A significant part was largely obsolete and unprofitable, and one part was

97 AJ, Ministarstvo industrije Vlade FNRJ (MIVFNRJ), 17-6-6, Referat o radu naše industrije, 1945-1946. godina.

built before the First World War on the basis of a wider economic unit, in completely different circumstances and in a direction quite opposite to the economic integration of the state. Foreign capital, which had a leading role in many industries and mining, maintained its profitability by the low cost of labour, cheap sources of energy and raw materials, numerous privileges, concessions and customs facilities. This legacy, under the new circumstances and with the different development strategy, made transition to the new type of economic system more difficult, while the ministries of economy tried as hard as possible to maintain integration, using in the first place the centralisation of management and the directive “order-execution” mode.⁹⁸

The process of the administrative breakthrough of all republic and federal ministries of economy into the everyday work of the enterprises paved the way for a rapid bureaucratisation of the economy. The inclusion of a large number of enterprises under the protection of the state could not have had a different outcome, as the creation of a complex state sector of the economy required a large number of executives and, in general, skilled and professional bureaucracy familiar with working in large systems. However, as systems of this type did not exist in large numbers before the war, and as a small number of people with experience in large corporations could be found throughout the country, the situation in the economy in the first days after the liberation reflected a general disorganisation. Recalling those days, Svetozar Vukmanović Tempo placed special emphasis on the problems of organising production in the public sector and stated that “we had no experience in that and we could only use the Soviet experience”.⁹⁹ The Soviet economic solutions were applied in accordance with the Yugoslav circumstances, so many of them underwent certain modifications. Vladimir Dedijer points out that the economic leadership initially relied exclusively on Soviet models, but that with the arrival of Boris Kidrič at the helm of the economy, the design and general introduction of Yugoslav elements into the system of economic organisation began.¹⁰⁰

The corporatisation of the economy, which the communist authorities in Yugoslavia began immediately after the liberation, was an in-

98 Ibid.

99 Svetozar Vukmanović Tempo, *Revolucija koja teče, Memoari*, I-II, (Beograd: Komunist, 1971), II/37.

100 Vladimir Dedijer, *Novi prilozi za biografiju Josipa Broza Tita (1945–1955)*, III, (Beograd: Rad, 1984), 208.

tegral part of the radical changes from the very beginning. The imperative of rapid transition to the command-planned economic system based on the Soviet model implied a redefinition of all segments of economic life. The corporatisation of the public sector of industry was only one of the vital components of this process. The Yugoslav political and state leadership, following the Soviet practice, began to implement corporatisation on two levels. On the first, upper level, the state encompassed under its command the entire state sector of industry, thus creating a single hierarchically monolithic organisation of management, while beginning to reorganise the industry on the lower level. The reorganisation of the industry aimed to base all the branches of industry on modern principles. In regard to this, the main task of the planners was to carry out the liquidation of inefficient companies and to merge a large number of smaller factories within related areas and create production units which would satisfy all the standards of efficient business by providing a complete production process. In their opinion, this was to ensure the full profitability of production.¹⁰¹ President of the Economic Council and Minister of Industry, Boris Kidrič, held that in the process of building a socialist economic system there was no difference from capitalist corporations in terms of organisational and technical forms. In the beginning of 1947, B. Kidrič pointed out that the emerging socialist forms of organisation had to get rid of "the out-dated bureaucratic methods of work" and "use technical and operational management, modern technical and operational means, typical of capitalist trusts", in order to master as soon as possible the operational way of working and in the future to surpass the capitalist conduct of business.¹⁰² From the macroeconomic point of view, the development of the centralised corporate structure of the public sector significantly benefited from Soviet experts, who employed their knowledge in helping the Soviet model being promptly implemented in practice.¹⁰³

101 Александар, Ракоњац, „Почеци корпоративизације државног сектора индустрије у Југославији (1945–1947)“, Друштвене науке пред изазовима савременог друштва, НИСУН 6, I, (Ниш: ФФУН, 2017), 165–178; Mijo Mirković, *Uvod u ekonomiku FNRJ*, (Zagreb: Naprijed, 1959), 17.

102 AJ, 40–2–6, Zapisnik sa konferencije održane 27. januara 1947. godine u Ministarstvu industrije FNRJ po pitanju reorganizacije glavnih uprava; *Zapisnici Privrednog saveta Vlade FNRJ 1944–1953*, I/67–72.

103 AJ, 17–9–9, Stručnjaci iz USSR, 30. septembar 1946. godine; Diplomatski arhiv Ministarstva spoljnih poslova Republike Srbije (DAMSPRS), 1945, Politička Arhiva (PA), USSR, f. 30, d. 7041, Spisak sovjetskih građana koji se upućuju na rad u Jugoslaviju, 21. novembar 1945. godine.

The ambitious demands of the new government in the field of economy, for the sake of rapid transformation of society in the circumstances of the first post-war year, were not realistic. The situation in the field imposed a cautious and gradual approach, despite the intention of economic leaders to implement the CPY's concept of state management of the economy as soon as possible. In the beginning of 1946, industry, mining and electric power industry were on the way to recover so the major tasks assigned to these key branches of economy required major changes in the way of management. These circumstances influenced the creation of organisational forms of more operational management in the transitional phase and the main administrations were established in the spring of 1946. The main administrations in Yugoslavia relied on the experiences of the main and general administrations ("*glavki*") in the USSR, on whose model they were created. The role of the main administrations or "*glavki*" was tied to the need to find a middle link between the ministries and the enterprises, and with their basic command function, they supervised and managed the work of enterprises from a certain branch. Besides the main administrations, directorates general were established with the same aim of fostering greater industrial production. With the basic law on state-owned enterprises passed in mid-1946, the state sanctioned this novelty by giving considerable authority in the management of enterprises to administrative and operational managements. In this way the administrative and operational management became the direct representative and guardian of state interests in the factories, and along with the greatest administrative powers, they were also entrusted with director appointment. The headquarters of the main administrations were located in the capitals of the republics, and the location depended exclusively on whether the level of development of a particular economic branch the administration was in charge of was the most developed in that federal unit.¹⁰⁴

These institutions, although parts of the central state apparatus, were not financed from the budget but from the annual income of the enterprises from the branch of economy they oversaw.¹⁰⁵ This meant that the amount of funds that flowed into the director's fund depended directly on the fulfilment of the plan for which the staff of these institutions were

104 AJ, 106-4-10, Obrazovanje glavnih uprava u okviru Ministarstva industrije FNRJ, 6. jul 1946. godine; *Основни закон о државним привредним предузећима*, Београд 1949.

105 AJ, 140-5-22, Izveštaj o poslovanju Generalne direkcije savezne metalne industrije za plansku 1949. godinu, 22. jun 1950. godine.

responsible.¹⁰⁶ In case a certain enterprise exceeded the quota set by the plan, 50% of the unplanned profit went to the director's fund. With these material incentives, the state wanted to encourage a competitive spirit and increase the productivity of the industry.¹⁰⁷ At the very beginning of the formation of the main administrations and general directorates, several "unwholesome" tendencies surfaced. Firstly, too many experts began to join the administration to the detriment of the factories. Secondly, after the establishment of the general administrations in 1946, in order to increase the efficiency of industrial enterprises, these institutions began to branch out their administrative management apparatus.¹⁰⁸ Irregularities in the functioning of these economic bodies were especially pronounced among personnel officers, who were one of the most important parts of this "new mechanism" of economic management.¹⁰⁹

In the beginning of 1947, before starting the extensive plans for industrialisation and electrification of the country, the general administrations were transformed into general and main directorates due to the deepening of operational forms of management.¹¹⁰ With the establishment of the directorates-general and federal directorates, coordination between the economic ministries and the enterprises under their jurisdiction was accelerated. These "middle links" in charge of ensuring more operational management were the "connective tissue" without which the economy could no longer function. Therefore, despite the crisis of professional staff in that period, which was one of the main obstacles to the successful implementation of the state project of corporatisation of the economy, all managers with professional experience in the economy were gathered and then delegated according to the priorities to the most important main units/directorates and enterprises. Due to the lack of domestic staff, experts from abroad were hired, mostly from Germany and other European countries, who were tasked with reshaping the methods of work organisation, production and management at the medium and micro levels, i.e. in the administrative units and enterprises. Till the end of 1948, a vertical management system was implemented with a clearly

106 AJ, 50-17-34, Uredba o bankovnim računima dobiti državnih privrednih preduzeća i njihovih administrativno-operativnih rukovodilaca, 31. decembar 1946. godine.

107 AJ, 40-1-3, Izvod iz uvodnog referata i zaključne reči predsednika Privrednog saveta, 6-7; B. Petranović, Politička i ekonomska osnova narodne vlasti u Jugoslaviji za vreme obnove, 251-252.

108 AJ, 17-12-12, Organizacija upravljanja industrijom, 1946. godina.

109 AJ, 17-104-105, Nepravilnosti personalnih organa, 1. jul 1946. godine.

110 *Zapisnici Privrednog saveta Vlade FNRJ 1944-1953*, I/159-169; Lj. Korać, *n. d.*, 282.

defined "top-down" hierarchical structure: "Ministry - directorates - enterprises". This brought to full expression the efforts to consolidate the economy, which had been started in 1945, and thus the centralisation of management reached its peak.¹¹¹

On the example of the banking sector, which was considered by economic leaders to be of great importance for the economy, we can see most clearly the direction of the new state policy mentioned above. Considering it the "bloodstream of the economy", just after the liberation of Belgrade the economic leaders began to make plans to take over the entire banking sector.¹¹² This was awaited until the autumn of 1946. The most important act within this process was the nationalisation of the banking sector, undertaken by the authorities in late 1946 as part of the nationalisation of large parts of the economy. The transfer of private banking assets to state ownership provided an opportunity for communist rulers to impose total control over economic flows. The purchase of the shares of the National Bank of the Federal People's Republic of Yugoslavia, the Industrial Bank of Yugoslavia, the Craft Bank of the Federal People's Republic of Yugoslavia and the Cooperative and Agricultural Bank of the Federal People's Republic of Yugoslavia, owned by private individuals and companies, took place in September 1946.¹¹³ A few days after the nationalisation was finished, state-owned banks were merged with the National Bank. The creation of a single state financial corporation was aimed at coordinating all the monetary activities of the state budget regarding the national economic plan.¹¹⁴

The main headquarters, other headquarters and branches stood in the order of strict subordination. The corporate organisational structure was designed to integrate all financial flows in the country.¹¹⁵ Through its activities, the National Bank covered all banking operations from the simplest cash operations to the conduct of the country's monetary pol-

111 AJ, 108-2-10, Rad generalnih odnosno glavnih direkcija u vezi sa rešavanjem zadatka postavljenog Privrednim savetom, 7. oktobar 1948. godine; AJ, 185-2, Spisak generalnih i glavnih direkcija Ministarstva industrije FNRJ i industrijskih preduzeća koja su pod njihovim administrativno-operativnim rukovodstvom.

112 AJ, KMJ, 836/III-1-a/3, Predlog za reformu bankarstva u Jugoslaviji i informacija o novčanim zavodima, Vis, 18. septembar 1944. godine.

113 AJ, 50-13-29, Uredba o otkupu akcija Narodne banke FNRJ, Industrijske banke Jugoslavije, Zanatske banke FNRJ i Zadružne i poljoprivredne banke FNRJ, 1946. godina.

114 AJ, 50-13-29, Uredba o spajanju kreditnih preduzeća iz državnog sektora, 1946. godina; Arhiv Narodne banke Srbije (ANBS), 1/III, Narodna Banka FNRJ (NBFNRJ) (1945-1963), dosije 399, Fuzija bankarskih preduzeća državnog sektora sa Narodnom bankom FNRJ, 1946. godina.

115 ANBS, 1/III, d. 374, O organizaciji Narodne banke FNRJ, 1946. godina.

icy.¹¹⁶ With the concentration and centralisation of the banking system, the National Bank became a "bank over banks", and only the State Investment Bank, which was tasked with lending for long-term investments, remained outside its jurisdiction.¹¹⁷

The passage of the law on the nationalisation of private enterprises legally shaped the possibility of raising the organisation of the economy to a higher level. The enterprises were categorised according to importance. By grouping enterprises of national importance, the *de facto* federal economy was created. The Federal Government had exclusive jurisdiction over this group of around three hundred largest enterprises. By creating this superstructure, which was managed by the state through administrative-operational managements, the state aimed at creating a large economic system which would allow it to control the lower floors of the economy more easily.¹¹⁸ Thus, the essential aspiration of the economic integration of Yugoslavia finally found expression in the creation of a single supranational economy.¹¹⁹

Table 1: The organisational form of the Ministry of Heavy Industry from January 1948 and the number of employees at the beginning of 1949¹²⁰

Heavy industry branch	No. of enterprises	Workers employed	Total no. of employees
Ferrous metallurgy	11	16,185	23,455
Aluminium and copper industry	2	1,565	2,333
Industry of refractory materials	6	1,304	1,948
Heavy metal industry	13	8,556	16,812
Industry of agricultural machines	4	1,642	3,057
Engine industry	4	3,062	5,215
Electric power industry	4	3,368	5,773
Total	44	35,689	58,593

116 ANBS, 1/III, d. 376, Zadaci Narodne banke FNRJ, 1948. godina.

117 Gordana Hofmann, *Narodna banka 1944-1991*, (Beograd: Evropski centar za mir i razvoj, 2004), 30.

118 AJ, Savezna uprava industrije tekstila, kože i obuće (SUITKO), 185-2, Spisak generalnih i glavnih direkcija Ministarstva industrije FNRJ i industrijskih preduzeća koja su pod njihovim administrativno-operativnim rukovodstvom.

119 AJ, Predsedništvo Vlade FNRJ (PVFNRJ), 50-4-10, Spisak preduzeća opštredržavnog značaja, 31. decembar 1946. godine.

120 AJ, 106-13-24, Podaci o teškoj industriji, 8. april 1949. godine.

Many privately owned enterprises were assigned a status in the economic hierarchy following the decision to confiscate them and, finally, definite confirmation of their ownership status after the nationalisation at the end of 1946. Many companies were then assigned to the republic governments¹²¹, while others were registered as enterprises of national importance and handed over to the management of the Federal Government.¹²² The diversification of the economy and the growing workload of the federal ministries in charge of the economy forced the Government to consider reorganisation. Thus, due to the primary importance of heavy industry in building the country, the first reorganisation within the Government was carried out in early 1948, as a result of which the Ministry of Industry became the Ministry of Heavy Industry and the Ministry of Light Industry, and the Ministry of Agriculture and Forestry was divided into two ministries.¹²³ A re-evaluation of the public enterprises was carried out at the end of 1948, after which some of them were granted a higher status, becoming enterprises of national importance, and passing under the jurisdiction of the federal ministries of light or heavy industry.¹²⁴ Individual enterprises preserved their federal importance, but due to the diversification of industry as a result of enforced industrialisation they were transferred from the competence of one to the competence of another ministry, mainly that of the Ministry of Light Industry.¹²⁵ A further deepening of relations within the economic structure was carried out during 1948. The division according to importance for the economy included a further classification by grouping the enterprises into three categories. The categorisation was performed taking into account the scope of operations, the importance of the problems individual enterprises were

121 AJ, Ministarstvo teške industrije Vlade FNRJ (MTIVFNRJ), 16–13–17, Privremeno rešenje ministra industrije FNRJ o ustupanju preduzeća narodnim republikama, 1946. godina; AJ, Generalna direkcija savezne elektroindustrije (GDSE), 134–5–22, Rešenje o ustupanju preduzeća opštredržavnog značaja narodnim republikama, 3. april 1947. godine.

122 AJ, Državni sekretarijat za poslove narodne privrede (DSPNP), 26–90, Objava o registraciji državnog privrednog preduzeća opštredržavnog značaja „Fabrika šibica Dolac na Lašvi“, 20. maj 1947. godine; AV, Planska komisija APV (PKAPV), 218–70, Izveštaj, Svodna analiza o izvršenju privrednog plana AP Vojvodine u 1949. godini, Industrija pokrajinskog značaja.

123 AJ, 836/II–5–a–1/12, Govor Maršala Tita na sednici Prezidijuma Narodne skupštine FNRJ povodom predloga o rekonstrukciji Vlade FNRJ, 8. januar 1948. godine.

124 AJ, 16–13–17, Preuzimanje preduzeća i određivanje administrativno-operativnog rukovodioca, 21. oktobar 1948. godine.

125 AJ, 10–5–5, Rešenje o prenosu državnih privrednih preduzeća iz nadležnosti jednog u nadležnost drugog organa, Prenos tri fabrike sijalica, 30. mart 1949. godine.

facing and the degree of accountability in plan implementation.¹²⁶ The enterprise categorisation was further deepened by the beginning of 1950, by introducing the fourth and fifth categories.¹²⁷

Table 2: the categorisation of enterprises of national importance

Category I	Ironworks "Jesenice"; ironworks "Zenica"; "Đuro Đaković"; "Rade Končar"; "Litostroj"; "Ivo Lola Ribar"; "TAM"; "IMR"; "Goša"; "Elektrometalurški kombinat Šibenik"; mine and ironworks "Vareš"; "Dalmatinska industrija cementa Split"; "14. oktobar"; "Prvomajska"; "Fabrika vagona Kraljevo"; ironworks "Guštanj"; "Splošna"; "Osiječka Ljevaonica željeza"; "Iskra"
Category II	Ironworks "Smederevo"; "Novokabel"; "IMPOL"; "Beočinska fabrika cementa"; ironworks "Štore"; "ELKA", mine "Ljubija"; "Zmaj"; ironworks "Sisak"; "Jugoalat"; "Vojvođanska livnica Novi Sad"; "IPM"; "Tovarna glinice in aluminija Strnišće"; refractory clay mine "Vrbica"
Category III	Cement factory "Sloboda"; cement factory "Partizan" Kaštel; cement factory "10 kolovoz" Split; factory "Partizani" Arandelovac; mine "Goleš"; "Trbovljanska cementarna"; mine "Cer"; "Fabrika kablova Svetozarevo"; "TEŽ"; "DIS"; "Tesla"; mine "Čevljanovići"; "Valjaonica Zemun"

The efforts to establish a uniform organisation in the enterprises within the same directorate were concluded during 1949.¹²⁸ During the realisation of the uniformity process, the enterprises which had the most efficient internal organisation in terms of functionality were taken as examples, and served as models to be followed by all the other enterprises under the competence of the same directorate. Among the enterprises of the General Directorate of the Federal Motor Industry, "IMR" was the first

126 AJ, 16-24-29, Kategorizacija preduzeća, 27. avgust 1948. godine.

127 AJ, Glavna direkcija savezne industrije vatroostalnog materijala (GDSIVM), 133-16-26, Kategorizacija preduzeća Glavna direkcija savezne industrije vatroostalnog materijala Ministarstva teške industrije FNRJ, 14. februar 1950. godine.

128 The newly established State Control Commission did the utmost to carry this process through to the end (AJ, 50-10-22, Uredba o organizaciji i nadležnosti Komisije državne kontrole FNRJ, 1. mart 1949. godine).

to functionally apply the new uniform organisation prescribed by the Government. After the visit of the enterprise "TAM" delegation to the factory in Rakovica, which established that the internal organisation of "IMR" was suitable for their enterprise, the implementation of the same organisation solutions was initiated in Tezno.¹²⁹

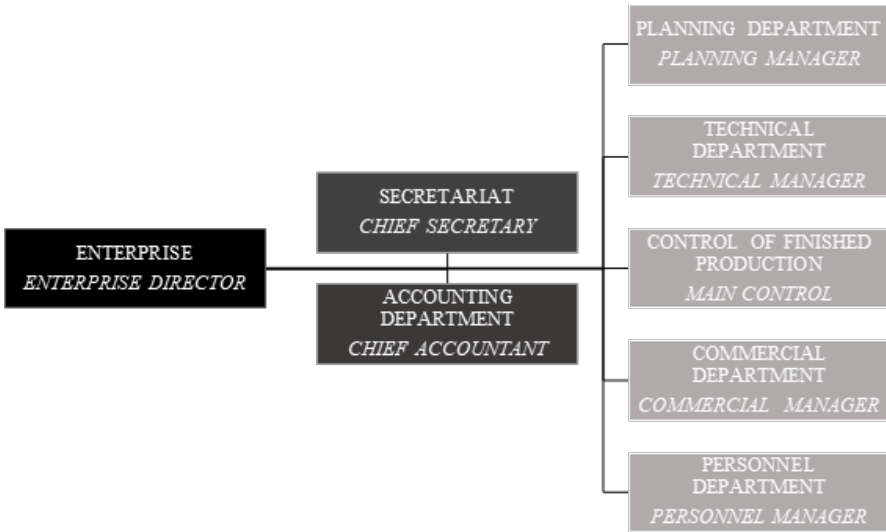


Figure 5: The organisational structure of enterprises at the peak of command-planned economy (1948)¹³⁰

The dynamics of economic life required a constant adaptation of organisational forms to the new needs, and those needs became particularly relevant when economic development was followed by big social changes such as industrialisation and town planning as its imminent component. In this context the diversity of life itself and its needs, the technology of production processes, the path a product passed to the consumer, required the existence of diverse organisational forms. As a result, uniform organisation patterns, which had been planned from 1945, were not easy to establish in industry either. From the end of 1948, the CPY management increasingly realised the negative consequences of uni-

129 AJ, Glavna direkcija savezne industrije motora Ministarstva teške industrije Vlade FNRJ (GDSIMMTIVFNRJ), 108-30-49, Zavodenje jednoobrazne organizacije u preduzeću „TAM“, 19. maj 1949. godine.

130 AJ, 140-1-1, „14. Oktobar“, Fabrika građevinskih i rudarskih uređaja, Kruševac, 1948. godina.

formity in the organisation of economy and economic development. They emphasised the need for deepening the organisational forms with a view to achieving better market supply and excluding the performance of double functions. Emphasis was placed on the aim to adapt the organisational forms to the technological process, with special focus on the vertical organisation of enterprises irrespective of their size and category. In other words, "trustisation" was to be carried out following the criterion for enterprises which had connected technological processes. It was a continuation of the creation of complex corporate forms of economic organisation.¹³¹ However, the conflict with the USSR brought about major changes in all the spheres of life and the work on that was finished around the end of 1949 by changing the direction towards decentralisation and workers' self-management.¹³²

The conflict with the USSR, economic blockade by the Socialist Bloc countries, difficult situation in rural areas due to the implementation of a repressive buying up policy, numerous ambitiously initiated economic objects were just a few of the factors which led to redefining the economic course of the time. The most decisive factor was certainly the ideological conflict with the Soviets, which spilled over into all the other segments of interrelations with them. However, what surpassed by far all the aforesaid factors and essentially generated the state of conflict was the fact that the Yugoslav revolution had been independent, so that those who had carried it out could not easily consent to foreign involvement, even if it came from the state by which it was largely inspired. The split was helped in particular by the ethno-psychological traits characteristic of the area that the Yugoslav revolutionaries came from, among which defiance and spite figured prominently, which belonged in the corpus of values necessary for pursuing a sovereign policy. All the aforesaid had a decisive influence on Yugoslavia's decision to choose its own path into socialism.¹³³

131 AJ, 106–13–24, Primedbe na plan za reorganizaciju direkcije i preduzeća.

132 Arhiv Republike Slovenije (ARS), Osebni fond - Boris Kidrič (OFBK), 1381–2–2, Boris Kidrič (1912–1953), 24; AJ, 40–4–9, Zapisnik sa sastanka Privrednog saveta Vlade FNRJ, održanog 19. septembra 1949. godine; Leonid Gibianskii, „The Soviet-Yugoslav Split and the Cominform”, in: *The Establishment of Communist Regimes in Eastern Europe, 1944-1949*. ed. Norman Naimark and Leonid Gibianskii, (Boulder: WestviewPress, 1997), 303–311; A. Kemp-Welch, *Poland under Communism, A Cold War History*, (New York: Cambridge University Press, 2008), 30–35.

133 Dinko A. Tomasic, "The problem of unity of world communism", Marquette University Slavic Institute Papers, No. 16, Wiskonsin 1962, 1–7; Vladimir Bakarić, Ekonomski i

The circumstances in the autumn of 1949 mentioned above resulted in the idea of abandoning the Soviet economic model. The economic managers emphasised that the development of economy, and the scope of production in particular, changes in the social composition of the population, the rise in the number of industrial workers and the need for more of them, the strengthening of the republic and local economic apparatuses, numerous newly made products and the further expansion of the socialist sector, had resulted in abandoning the old organisation forms and called for further economic organisation development. The continuation of economic development within the command-planned framework of the previous period was ending. This change did mean a radical split, but the dismantling of the carefully constructed social and economic system was a process which took years to complete. The top officials of the state were aware of that, and they had to approach the changes through stages.¹³⁴

The shift to self-management, in the beginning in the form of workers' councils, implied three parallel, and in the communist interpretation necessary processes. The first was debureaucratisation, the second the decentralisation of management, and the third the democratisation of society. Although the three processes were inseparable from the point of view of economic leaders, the ideological point of the party sword was turned more fiercely towards doing away with the society's bureaucratic tendencies. In the opinion of CPY ideologues, these tendencies resulted from the application of Soviet solutions, and bureaucratisation was viewed as immanent to the Soviet socialist concept.¹³⁵ This view, however, followed from the conflict with the USSR and had an undeniable ideological background, before any justification could be found in reality. Simply put, all modern economic organisms had complex management mechanisms, so that bureaucratisation was a logical starting point in the development of "the economy as a large economic system". In other words, no big corporation or corporate system could exist without relying on the services of an army of office workers.¹³⁶ Naturally, the Yugoslav communists had at the time held the naïve belief that the dismantling of the Soviet-type state economic system would mark the end of the power of bureaucracy as a social class. The plan was to transfer one part of the state apparatus

politički aspekt socijalističkog samoupravljanja, (Sarajevo: Svjetlost, 1975), 28–32; Najdan Pašić i Kiro Hadži Vasilev, *nav. delo*, 423–463.

134 AJ, 40–4–9, Zapisnik sa sastanka Privrednog saveta Vlade FNRJ, održanog 19. septembra 1949. godine.

135 Zapisnici Privrednog saveta Vlade FNRJ 1944–1953, II/480–481.

136 Luis Mamford, *Kultura gradova*, (Novi Sad: Mediterran publishing, 2010), 254–255.

engaged in the administrative structures in charge of economy directly into production units. This thinking of the dangers of political bureaucracy for society were not exclusive to Yugoslavia, but were the product of Western political thought, and by overestimating the power of the political, they underestimated the social impact of the economic bureaucracy, which was far more numerous and much better connected. Democratisation, as the last phase of the social reform, had as the ultimate aim the delegation of decision-making to the direct producers, which would finally eliminate the first two processes.¹³⁷

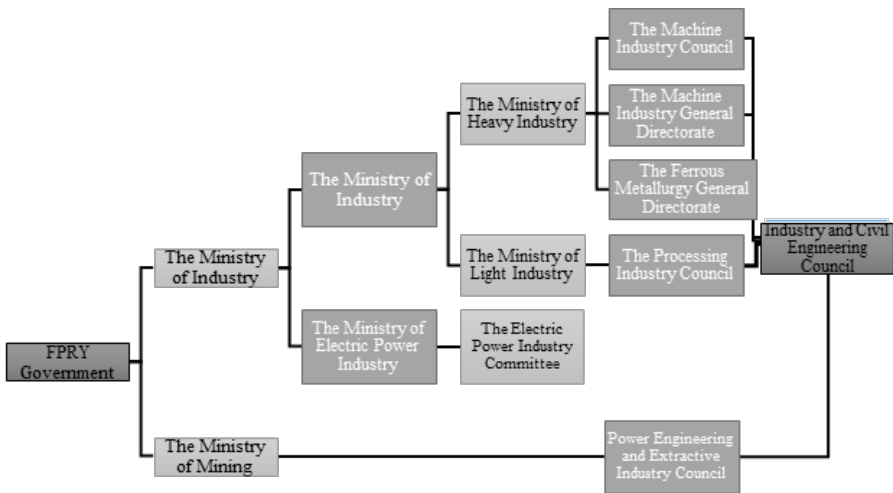


Figure 6: The organisation of economic ministries and other supporting institutions during the First Five-Year Plan.

With regard to the decentralisation of power, the reorganisation was directed at removing the threat of rigid centralisation, which was, in the opinion of economic strategists, reflected in the Federal Planning Commission as an economic task force through which the Federal Government dictated the economic trends. Certain leaders, such as the minister of light industry Josip Cazi, drew the conclusion that such “devastating practice” had to be prevented in order to avoid, as in the case of the USSR, a disruption of the equality of peoples due to the possibility of

137 Milentije Popović, *Udruženi rad i neposredna demokratija*, (Sarajevo: Svjetlost, 1976), 99–109; Edvard Kardelj, *Samoupravljanje i društvena svojina*, (Sarajevo: Svjetlost, 1979), 98–101; Veljko Vlahović, *Savez komunista u sistemu socijalističkog samoupravljanja*, *Sabrani radovi*, IV, (Titograd: Pobjeda, 1981), 36–41.

one of the republics displaying hegemonistic tendencies. Josip Cazi's argumentation derived from the CPY's pre-war views on the national issue, which were predominantly based on the platitude of the "hegemonism of the Great-Serbian bourgeoisie"¹³⁸, which in Cazi's views from the beginning of 1950 undoubtedly gave way to the hegemony of Serbia and Belgrade, the capital. He thought that the republics were the highest forms of social life, and should be strengthened and granted full accountability, which would prevent the formation of a "hegemonistic clique which would impede the initiative of the working masses". In his conclusion, which was logically inconsistent, he stressed that the decentralisation measures, including the transfer of higher competences to the republics, would curb any economic particularism. Finally, Cazi thought that the reorganisation would not reduce the republics' answerability to the centre, but would rather increase it.¹³⁹

The economic reorganisation process started with the establishment of the Power Engineering and Extractive Industry Council (SEEI) on 08 February 1950. The establishment of this Council was preceded by the abolishment of the federal ministries of electric power industry and mining. As a result, the duties from within the domain of these two departments were transferred to the competence of the Council, and its scope of accountability now included the newly established committees for electric power industry, non-metals and coal, as well as the general directorates for metallurgy and oil production and processing.¹⁴⁰ The light industry was the next to face reorganisation in April 1950 under the authority of the Federal Government. The total light industry was transferred to the jurisdiction of the republics, and the further existence of the federal ministry of industry was no longer justified.¹⁴¹ All the enterprises which had been within the jurisdiction of the Ministry of Light Industry of the FPRY were assigned through reorganisation to the control of the republic ministries depending on the republic they were in. The newly formed Processing Industry Council (SPI), a federal body, became the meeting place for the Council chair, the chair of the Committee for Local Economy and Utili-

138 Mira Radojević, „Udružena opozicija i komunisti“, *Istorija 20. veka*, 1–2/1990, 39–57.

139 AJ, 10–1–1, Zapisnik sa sastanka generalnih i glavnih direktora, inženjera i personalnih rukovodilaca saveznih direkcija lake industrije po pitanju reorganizacije privrede, održanog u Ministarstvu lake industrije FNRJ, 10. februar 1950. godine.

140 *Službeni list FNRJ*, 10/50.

141 AJ, 10–1–1, Zapisnik sa konferencije u Ministarstvu lake industrije FNRJ sa generalnim i glavnim direktorima saveznih direkcija resora ovog ministarstva – po pitanju reorganizacije – održane dana 30. marta 1950. godine.

ty Operations and the republic governments' ministers for the processing and local economies who gathered together for the purpose of making arrangements, coordinating and aligning the state's general economic policy. This became the venue of decision-making on how much funds each republic would receive from the federal budget, of debating investment plans, determining production proportions, etc. The scope of SPI included: the production, refinement and processing of non-metal ores; metal industry and metalworking; electric power industry; chemical industry; wood industry; the industry of cellulose, pulp and paper; textile industry; leather and shoe wear industry; rubber industry; forest exploitation.¹⁴² At the same time with SPI, after the dissolution of the Ministry of Civil Engineering, the Council for Civil Engineering and the Construction Industry (SGGI) was formed. The duty of this Council was general control of the civil engineering and construction industry operations, as well as coordinating the activities of the republic bodies competent for those operations.¹⁴³

The Machine-building Industry Council was the last to be formed in June 1950 (SM). This was preceded by the dissolution of the Ministry of Heavy Industry, which was tackled the last due to the complexity of its structure and its importance for overall economic development. The Council's task was general management of machine building and black metallurgy operations from the federal level, as well as coordinating the activities of the republic bodies competent for those operations.¹⁴⁴ The Central Government only retained direct control of parts of heavy industry, metallurgy and mining. The reorganisation led to a new form of organisation of the federal administrative authorities in charge of direct management of operations of four branches of economy. This includes the general directorates of metallurgy, oil production and processing, machine-building industry and ferrous metallurgy, while the factories under their control retained the status of enterprises of general national importance. Although under direct control of the Federal Government, these institutions were formally under the jurisdiction of the metal-building industry, power engineering and extractive industry councils.¹⁴⁵

142 AJ, 10-1-1, Zapisnik konferencije održane u Ministarstvu lake industrije FNRJ 3.4.1950. godine sa ministrima industrije narodnih republika u vezi reorganizacije resora lake industrije.

143 *Službeni list FNRJ*, 32/50.

144 Ljubomir Korać, *Organizacija Federacije u socijalističkoj Jugoslaviji 1943-1978*, (Zagreb, Arhiv Jugoslavije/Globus: 1981), 285.

145 AJ, 26-91, Rešenje o prenosu preduzeća pod AOR-om Generalne direkcije rudnika i topionica obojenih metala iz nadležnosti ove direkcije u nadležnost Generalne

The establishment of the new organisation forms was accompanied by the delegation of state-owned enterprises under federal jurisdiction to the republics. The Law on State-Owned Enterprises provided the legal framework for the transfer of competences from one state authority onto another. It was the beginning of decentralisation at the lower tiers of economic organisation, through which economic entities of nationwide importance were gradually being transferred under republic control. The first federal enterprises from Serbia to be handed over to the Government of the People's Republic of Serbia by the Government of FPRY at the end of July 1950 were "Fabrika građevinskih mašina Smederevo", the agricultural machinery factories "Zmaj" and "Pobeda", "Fabrika kablova Svetozarevo" and the cable factory from Novi Sad, the magnesite mines "Goleš", "Drenica" and "Šumadija", the "Mladenovac" and "Partizan" grog (clay) factories and the "Magnohrom" enterprise from Rankovićevo. The PR Croatia Government was entrusted with the enterprises "Osječka ljevaonica željeza i tvornica strojeva" and the "Elka" factory of insulated conductors and reinforced pipes, while the Government of PR Slovenia took control of "Mariborska tovarna kmetijskih strojev" and the "Iskra" electrical engineering and fine mechanics factory. The factory "Fabrika poljoprivrednih mašina" from Tuzla was similarly handed over to the Bosnia Herzegovina Government.¹⁴⁶ By following the decentralisation course, the Government started with the abolishment of a large number of federal general and main directorates, as their further existence was no longer justified.¹⁴⁷ With a view to more efficient management, in the absence of a solution, the republics formed temporary general directorates for all the branches that already existed at the federal level.¹⁴⁸

In April 1951 the economic management decentralisation process entered the second phase. It was then that the largest remaining enterprises in the heavy industry, metallurgy and mining areas, controlled by the Government's general directorates, started gradually passing under the control of the republics' newly established general directorates, following the same system as those under the jurisdiction of the Federal Minis-

direkcije metalurgije Vlade FNRJ, 7. april 1950. godine; Lj. Korać, op. cit., 280–286.

146 AJ, 6–4–4, Rešenja o predaji preduzeća opštredržavnog značaja vladama narodnih republika, 21. jul 1950. godine.

147 AJ, 50–11–24, Uredba o ukidanju generalnih i glavnih direkcija i uprava u nadležnosti Vlade FNRJ, 25. jul 1950. godine.

148 AJ, Savet za prerađivačku industriju (SPIVFNRJ), 109–4–6, Problem preduzeća koja prelaze iz okvira Saveznog ministarstva lake industrije u okvir republika, 1950. godina.

try of Light Industry a year earlier. The handover of the enterprises took place at the beginning of April between the FPRY General Machine-building Industry Directorate and the general machine-building industry directorates of the republics.¹⁴⁹ The same fate was shared by the enterprises integrated into the General Metallurgy Directorate of the FPRY Government. The enterprises of the general directorate for oil production and processing of the FPRY Government and the Electrification Directorate of the Power Engineering and Extractive Industry Council were all transferred to the governments of the republics they belonged to.¹⁵⁰ However,

149 AJ, Generalna direkcija za mašingradnju Vlade FNRJ (GDMVFNRJ), 107-3-5, Zapisnici o primopredaju preduzeća Generalne direkcije mašingradnje Vlade FNRJ generalnim direkcijama mašingradnje narodnih republika, 1950. godina.

150 AJ, Savet za energetiku i ekstraktivnu industriju Vlade FNRJ (SEEIVFNRJ), 59-1-2, Strogo poverljiva naredba o prenosu preduzeća iz savezne nadležnosti u nadležnost narodnih republika, 1. april 1951. godine); The Federal Government assigned to the General Machine Industry Directorate of the People's Republic of Serbia the following enterprises: "FTAM Ivo Lola Ribar", "IPM", "IKVL", "IMR", "14. oktobar", "Fabrika vagona Rankovićevo", "Dragoslav Đorđević Goša", "Jugoalat", "Potisje"; to the General Machine Industry Directorate of the People's Republic of Croatia the enterprises "Đuro Đaković", "Prvomajska", "Tvornica parnih kotlova Žitnjak", "Jedinstvo", "Rade Končar"; to the General Machine Industry Directorate of Slovenia the enterprises "Litostroj", "Savezni institut za turbomašine", "Franc Leskošek", "TAM"; to the General Machine Industry Directorate of Bosnia Herzegovina "Industrija auto-moto traktorskih pribora", "Trudbenik", "Fabrika transformatora Banja Luka". The enterprises of the General Directorate of Ferrous Metallurgy of the FPRY Government were transferred from the federal competence to the competence of the republics. Serbia took over "Železara Smederevo" and "Valjaonica Zemun", Croatia "Železara Sisak", Slovenia was entrusted with the ironworks "Štore", "Guštanj" and "Jesenice", Bosnia Herzegovina with the ironworks "Zenica" and "Doboj", "Rudnik i železara Vreš" and the "Ljubija" mine, while "Železara Nikšić" was transferred to the competence of the People's Republic of Montenegro. The enterprises of the General Directorate of Metallurgy of the FPRY Government were not exempt from this process. Serbia was entrusted with the copper mines and smelters of "Bor", the lead and zinc mines and smelters of "Trepča", the antimony mines and smelter "Milenko Kušić", the antimony mines and smelter of "Zajača", the gold mine of "Majdanpek", the molybdenum mine of "Mačkatica", the mining basin of "Neresnica", the mining basin of "Rudnik", the lead and zinc mine of "Kopaonik", the lead and zinc mine of "Avala", the copper and copper alloy rolling mill of "Sevojno"; Croatia was assigned "Istarki boksiti", "Tvornica glinice i aluminijuma Lozovac", "Tvornica elektroda i ferolegura Šibenik", "Boksitni rudnici Drniš"; Slovenia was entrusted with "Topilnica in valjarna cinka Celje", "Rudniki svinca in topilnica Mežice", the mercury mine of "Idrija", "Industrija metalnih polizdelkov Impol", "Tovarna glinice in aluminija Strnišče", "Kemična tovarna Moste"; Bosnia Herzegovina "Boksitni rudnici Mostar", "Boksitni rudnici Bosanska Krupa", "Rudarski basen Srebrenica", the "Čevljanovići" mine, the pyrite mine "Bakovići"; Makedonija assumed control of the chromium mining basin of "Raduša", the chromium mines of "Lojane", the chromium mine of "Rabrovo", the lead mine of "Zletovo", the "Cer" mine (Ibid).

although this transition from the corporative to the cooperative organisation planted the seeds of derogation of the federal government's control of economy, the central government, through the newly established councils, retained a powerful presence in the country's economic trends¹⁵¹, as the decentralisation of economy and the dissolution of economic administrations of federal importance demonstrated "unwholesome" disintegration tendencies.¹⁵² With a view to preventing the development of such relations, enterprises in the same branch began associating into the so-called "communities", which coordinated in detail the work of the relevant branch of industry under the council's supervision. The democratisation of the economy, in the form of workers' self-management of enterprises through workers' councils, was at the time more of a proclamation and most desirable prospect than social reality.¹⁵³

"Bottom-up" corporatisation: The enterprise consolidation process

The process of developing the state economy sector into a monolithic economic structure unfolded on two levels in parallel. The lower corporatisation level, which was equally important, unfolded directly in the "production base". Enterprises were merged in different ways. The field situation often required a more thorough planning of the future location of individual factories, so that certain smaller enterprises totally disappeared from the list, as the local authorities consistently carried out the federal government's initiative on the need for enterprise consolidation. In line with that, among the Yugoslav communists widely accepted paradigm, which had been carried out in the USSR in the 1930s, the shoe factory "Sebra" from Subotica was merged with a larger factory within the same branch, also located in Subotica, the "Marika" factory.¹⁵⁴ There were different examples as well, so that the liquidated "Tvornica ulja d.d." from Koprivnica transferred its iron girders, axles and ball bearings to the "Jugobeton" construction company from Zagreb, which were then used for the repair of the whole factory building and 80% of the machines.¹⁵⁵ In

151 AJ, 109-4-6, Organizacija prerađivačke delatnosti, 1951. godina.

152 AJ, Savet za industriju i građevinarstvo Vlade FNRJ (SIGVFNRJ), 166-1, Savet za industriju i građevinarstvo, Zadatak zajednice, 1951. godina.

153 AJ, 166-1, Predlog pravila o radu zajednice elektroindustrije FNRJ (1951. godina).

154 AJ, 17-147-148, Fabrika cipela „Sebra“.

155 AJ, 17-147-148, Izveštaj o radovima obnove za jul 1946. godine, Državno industrijsko građevinsko preduzeće Državno industrijsko građevinsko preduzeće „Jugobeton“.

addition of those cases, there were also enterprises the reconstruction of which was considered in the light of their pre-war activity, which had been based on the proximity and abundance of raw material resources, and the price of their transportation to the production plants. The Bosnia Herzegovina leadership thus decided to completely wind up the "Usora" sugar factory from Doboј, the "Sartid a.d." metalworks factory from Višegrad and "Trijumf" from Sarajevo, which were totally ruined, as a result of unprofitable business and expensive production before the war.¹⁵⁶

New industrial enterprises were formed in different ways, and one of the most important criterions which characterised all the new enterprises was a correlation between the enterprise location, the proximity of the raw material base, the transportation price, the workforce qualification level, production profitability and the country's need for the products in question. The overall set of these sub-criteria determined an enterprise's profitability and was as such the main factor in enterprise establishment. The economic logic thus required for the "Franjo Trbuha" and "Ivan Krutzler" butchery machines and tools workshops, both from Zagreb, which had been confiscated as a result of their owners' collaboration with the Ustasha regime, to be transferred to the facilities of the "NIA" machine and tool factory from Zagreb, specifically expanded for the purpose. The reason lied in the fact that neither of the two workshops had a foundry, and they had to order all the parts required for their machines from enterprises which had foundries and metalworking machines, and the fact that those workshops had only between 10 and 20 workers made their product expensive and unaffordable for a large number of users. After the relocation of these workshops and the establishment of a shared plant for the production of butchery machines and tools within the "NIA" factory, a new enterprise, "Narodna industrija aparata i strojeva" was established, which now had expanded production and all the required machines to complete the production, make it cheaper and more profitable.¹⁵⁷ We also have an example of a total merger of three confiscated enterprises in the same field, i.e. the "Velebit", "Rapid" and "Joakim Tomić" factories, which manufactured prams and home furniture. Their merger led to the formation of a new state-owned enterprise in Zagreb under the name "Državna

156 AJ, 17-147-148, Podaci o obnovi preduzeća Narodne Republike Bosne i Hercegovine za 1945. godinu, 26. maj 1946. godine.

157 AJ, 17-4-4, Osnivanje novih industrijskih preduzeća, „Narodna industrija aparata i strojeva“ Zagreb, 25. maj 1946. godine.

tvornica željeznog pokućstva i dječjih kolica”, when their machines were moved to new factory halls built for the purpose.¹⁵⁸

The process of building “the economy as a large economic system”, which unfolded through the consolidation of factories, took off during the summer of 1946. The merger decision-making was solely the responsibility of the FPRY Government, since the enterprises involved were state-owned enterprises of nationwide importance. There were successful and unsuccessful mergers, and only half-successful ones. The “Iskra” electrical engineering and fine mechanics factory from Kranj and the “Zmaj” factory for galvanic cells and electrical engineering equipment from Ljubljana were a successful merger example. Having operated in the same sector, with “Iskra” being an enterprise with considerably more capital and a more advanced work organisation, it was decided to “blend” “Zmaj” into “Iskra”, thus creating a single enterprise of substantially larger production and technological capacities.¹⁵⁹ On the other hand, the merger of several confiscated electrical industry enterprises from the city of Zagreb territory turned out a failure. The enterprises involved were “Hrvatsko Simens električno d.d.”, “AEG Hrvatsko društvo za elektriku”, “Industrija Paspas”, “ELIN d.d.”, “ELKA društvo za elektrotehniku i fabrika kabela d.d.”, “NORIS”, “Elektroproizvod”, “Tvornica akumulatora MUNJA d.d.” and “Narodno elektrotehničko poduzeće za elektriku i strojeve”, which were integrated with the state-owned enterprise “ELIH”. Since those enterprises differed in their operations, shortly after the integration this turned out to be a negative factor, which finally led to “ELIH”’s liquidation. The liquidation took place on 31 December 1946, and on the following day “Rade Končar”, “ELKA”, “Croatia”, “Elektrotehna” and “Munja” started operating as independent enterprises.¹⁶⁰

The first and second concentration degrees in the form of horizontal and vertical integrations were carried out within the General Administration for the Automotive Industry and Precision Mechanics (from 1947 the General Directorate of the Federal Motor Industry). Such moves by the Government testify to the country’s clear aspiration to motorise the economy as soon as possible, and this corporate model was supposed to serve as a means to realise that within the set timeframe. In this regard,

158 AJ, 17-4-4, Osnivanje novih industrijskih preduzeća, „Državna tvornica željeznog pokućstva i dječjih kolica“, 24. maj 1946. godine.

159 AJ, 16-14-18, Fuzija preduzeća „Iskra“ i „Zmaj“, 24. avgust 1946. godine.

160 AJ, 16-14-18, Fuzionisanje elektrotehničkih preduzeća sa „ELIH-om“ i likvidacija, 1946. godina.

in the summer of 1946, regrouping was carried out within the General Directorate of the Federal Motor Industry, after which there was a merger of certain enterprises followed by their placement under the exclusive competence of this Directorate. The enterprises "Industrija motora A.D." and the iron and metal foundry "Gvožđar A.D." from Rakovica carried out a merger resulting in the establishment of the state enterprise "IMR". Part of the same process was the merger of the precision mechanics enterprises "Mikron A.D." and "Nestor A.D." from Belgrade, after which the enterprise "IPM" was formed. "Tovarna letalskih delov", founded during the occupation by the German company "Vereinigte Deutsche Motorenwerke A.G.", continued its work and served as the base from which the state enterprise "TAM" was founded.¹⁶¹

The end of the last wave of nationalisation in mid-1948 brought the process of consolidation of economic entities to an end.¹⁶² "IMR" then completed the process of consolidating its own economic capacities when the enterprise "Jugostroj" was merged with it, followed by "Goldner". These factories provided an opportunity for more rational production by bringing into the "IMR" factory halls machines, professional staff and a foundry of brass, aluminium and other alloys. This laid the foundation for the future fabrication of tractors, but also completed the integration within the motor industry.¹⁶³ The example of the nationalised enterprise "Rafinerija dragih kovin Ing. Paulin" from Ljubljana, which was merged by the state decision with the enterprise of national importance "Galenika" from Zemun, indicates the determination of the state to completely reshape the lower tiers of the economic structure in accordance with the proclaimed economic concept. It was then that the Ministry of Light Industry of FPRY decided that "Galenika", which had included the production of dental alloys in the production plan, should delete from the investment plan the items relating to the purchase of machines and equipment necessary to produce this article. This decision was adopted because it was decided to move the already existing equipment of the nationalised enterprise "Rafinerija dragih kovin Ing. Paulin" from Slovenia to Zemun. In addition to the merger of the two enterprises, funds were allocated from one end of the country to the other. At a time when it was difficult to ob-

161 AJ, 16-13-17, Podaci potrebni za blagovremeno obavljanje registracije, 20. avgust 1946. godine.

162 AJ, 50-4-10, Izveštaj o praćenju nacionalizacije privatnih privrednih preduzeća u NRS, 15. maj 1948. godine.

163 AJ, 108-1-2, Priključenje preduzeća „Jugostroj“ „Industriji motora Rakovica“, 11. maj 1948. godine.

tain investment funds, or to realise purchases abroad, this was of paramount importance.¹⁶⁴

The emergence of a new self-management social and economic system at the end of 1949 resulted in the beginning of a profound reorganisation of the economic structure. However, this did not result in a break with the policy which inclined towards the formation of large economic systems. The work on the corporatisation of the basic economic units was carried on, but with much more experience and meaningful moves. Over the years of management, the economic leaders had become well acquainted with all the peculiarities of the Yugoslav economy, and were now in a position to identify earlier omissions and consider the following actions more carefully. One such action was the decision on merging the enterprises “Boksitni rudnici Drniš” and “Elektrometalurški kombinat Šibenik”, which led to the establishment of an enterprise which started with the exploitation of bauxite ore deposits, production of alumina, aluminium, aluminium alloys, ferroalloys and amorphous electrodes. Through this merger, a mining and metallurgical company was formed, which completed the entire production process. On the other hand, “Elektrometalurški kombinat” was also the product of a merger of “Elektroželezara” from Šibenik, “Tvornica glinice i aluminijuma” from Lozovac and “Hidrocentrala Manojlovac” in July 1948, so that the successful consolidation process was continued in the case of this firm.¹⁶⁵ An identical process may be followed with the machine tool factory “Prvomajska” which was merged with the “Tvornica hidrauličnih strojeva” from Zagreb.¹⁶⁶

On the other hand, with the aim of overcoming the economic backwardness as soon as possible through accelerated industrial construction, economically unprofitable factories sprang up. Examples of this unnecessary waste of investment funds were two factories on the border between Serbia and Bosnia. The first, the “Terpentin” factory in Dobrun was built before, and modernised after the war, while the second, completely new, was built across the border in Mokra Gora. Due to the relatively scarce raw material base, i.e. the resin from local conifers, which was obtained from a rather limited forest area in Bosnia and Serbia, the capac-

164 AJ, 10-5-5, Pripajanje nacionalizovanog preduzeća „Rafinerija dragih kovin Ing. Paulin“, Ljubljana, preduzeću „Galenika“ Zemun, 21. jun 1948. godine.

165 AJ, 26-91, Rešenje o spajanju preduzeća „Boksitni rudnici Drniš“ i „Elektrometalurški kombinat Šibenik“, 7. april 1950. godine.

166 AJ, 26-92, Rešenje o spajanju preduzeća „Tvornica hidrauličnih mašina“ Zagreb i „Prvomajska“ tvornica alatnih strojeva i levaonica, Zagreb, 23. decembar 1948. godine.

ities of these resin processing enterprises could not be adequately used and the production quality did not satisfy consumers. Since this economic anomaly was due to a lack of coordination of economic leaders from Serbia and Bosnia Herzegovina, the Federal Government intervened in order to remedy it. They decided to dismount the factory in Mokra Gora and move it to Dobrun, thus concentrating the production in the "Terpentin" factory, which had a longer tradition in tarry, possessed the professional staff and was located next to the Užice-Sarajevo railway communication. In addition to achieving the profitability of operations, this merger also led to transferring to the Dobrun factory some new technological processes, which the enterprise had not had before.¹⁶⁷

These steps taken by the state in the first five post-war years radically altered the appearance of the Yugoslav economy. The economic policy created by the CPY was aimed at the liquidation of medium, small and micro enterprises, mostly of the craft type, which, according to the Yugoslav communists, were a relic of the past and an obstacle to modern industry development. The integralist aspirations of state economic policy led not only to the formation of large enterprises, but also to the integration of the economy into a single entity, which was managed by the federal government through many institutions which had a clearly defined position in the economic hierarchy.¹⁶⁸ In this consolidation process, the Yugoslav economy became a giant corporation in the late 1940s, capable of synchronising numerous individual actions and connecting short-term and long-term plans. Visible progress was made during the implementation of the forced industrialisation during the First Five-Year Plan. The outlines of a changed economic structure could be seen as early as the beginning of the 1950s. Besides the development of production, there was also a significant concentration of industry, which had been largely fragmented before the war. Although the number of enterprises had not increased, despite technical training and modernisation, the number of industry workers had more than doubled. There had been only 102 enterprises with over 500 workers before the war, and over 200 at the end of 1951. There had been five enterprises with over 3,000 workers before the war, and after the war, as many as 10 with over 4,000 employees.¹⁶⁹

167 AJ, 109-8-15, Povećanje kapaciteta, Prenos postrojenja iz NR Srbije, Fuzionisanje preduzeća „Terpentin“ u Dobrunu i Mokroj Gori, 12. jun 1950. godine.

168 N. Čobeljić, *Privreda Jugoslavije, Rast, struktura i funkcionisanje*, (Beograd: Savremena administracija, 1977), 11-18.

169 AJ, KPCKSKJ, XI-1/91, Neki podaci o razvoju naše privrede u odnosu na stanje pre rata, 1952. godina.

The split with the Soviets in 1948 announced the end of the central planning and corporate organisation of the economy. With the introduction of the first workers' councils at the end of 1949 and the tendency to transfer management directly to manufacturers, the corporate organisation model started giving way to the cooperative model. The results of the first economic reorganisation during 1950 confirmed the new course of state policy and testified to a clean break with the economic organisation established on the Soviet corporate model.¹⁷⁰ From that point on, armed with considerable experience in practical management and organisation, the Yugoslav economic managers began to devise their own forms of economic organisation based on the idea of workers' self-management.

External and Internal Factors of the Industrialisation of Yugoslavia (1945-1952)

Political and economic dependence on the East

The burning ambition of the Yugoslav leadership in terms of raising the economic structure to a higher level in the shortest possible time had its expression in the often unrealistic demands towards the USSR. The Soviet side tried to accommodate such desires as much as possible, even though its devastated economy had modest results.¹⁷¹ The irrational faith in the limitless possibilities of the Soviet Union was fostered in a way by Soviet propaganda during the previous decade, so that the Soviet state leaders were aware of their responsibility relating to the younger revolution which had been the first in Europe, after the "Red October", to successfully kindle the flame of socialism. The escalation of the Trieste crisis during the spring of 1946, frequent violations of the Yugoslav airspace by American planes, and the growing pressure from Anglo-American allies on Yugoslavia over the fear of possible communist penetration of the Apennine peninsula, were opportunities for the Yugoslav and Sovi-

170 ARS, Osebna zbirka - Boris Kidrič (OZBK), 1522-2-10, Ekspoze o organizaciji državnega upravljanja našega gospodarstva, 5. februar 1950. godine.

171 Момир Нинковић, „Неуспешни преговори о организацији југословенско-совјетских мешовитих друштава (1945-1947)“, *Токови историје*, 2/2015, 129-130; Milan Gulić, Momir Ninković, „Mješovita jugoslovensko-sovjetska društva slučaja Juste“, *Istorija 20. veka*, 1/2014, 143-148.

et leaders to consider the political situation in the region.¹⁷² Tito's second and last visit to the Soviet Union took place in these difficult circumstances. During the stay of the highest Yugoslav delegation led by Marshal Tito in Moscow in late May and early June, negotiations were held on deepening economic cooperation and on previous foreign policy moves by the Yugoslav government. On that occasion, Stalin promised economic and technical assistance, long-term cheap loans for the construction of industry, assistance in weapons and ammunition. He was interested in the Yugoslav leadership's attitude towards neighbours and certain regional issues, primarily in their relation towards Bulgaria and Albania.¹⁷³ In parallel to the political, the two governments also conducted trade agreements. The course of events led to the conclusion of the first purely economic agreement on 8th June 1946, which opened the door for economic cooperation. With the mutual delivery agreement, the Soviet government lent a hand to the Yugoslav economy.¹⁷⁴ Negotiations were initiated on the formation of eight joint enterprises, but only two such requests were carried out in the February of 1947, by establishing joint Yugoslav-Soviet companies for air traffic and traffic on the Danube. The formation of the "JUSTA" and "JUSPAD" companies was aimed at restoring and increasing Yugoslavia's production possibilities.¹⁷⁵

In the following months, economic negotiations were conducted with the more developed part of the Soviet bloc countries. The Agreement on Czechoslovak Investment Deliveries and Yugoslav Counter-deliveries,¹⁷⁶ The Five-Year Agreement on the Exchange of Goods with Poland from 1947, and the Agreement on Economic Cooperation in the Field of Aluminium Industry, as well as The Agreement on Long-term Hungarian Deliveries and Yugoslav Counter-deliveries from 1947 reflected the Yugoslav leaders' desire to support the needs of the coming industrialisation as best they could.¹⁷⁷ With that in mind, the Yugoslav delegation returned

172 AJ, I-1/7, Pismo Edvarda Kardelja maršalu Titu, Beograd, 6. jun 1946. godine.

173 AJ, I-1/7, Beleška Koče Popovića o sastanku u Kremlju i na dači, 27. maj 1946. godine.

174 AJ, I-1/7, Sovjetsko-jugoslovenski kominike o boravku u Moskvi delegacije jugoslovenske Vlade na čelu sa predsednikom ministarskog saveta FNRJ maršalom Josipom Brozom Titom, Moskva, 8. jun 1946. godine.

175 DAMSPRS, 1947, PA, USSR, f. 107, d. 27458, Mešovita jugoslovensko-sovjetska društva „JUSPA“ i „JUSPAD“, 1947. godina.

176 ДАМСПРС, 1947, ПА, Чехословачка, ф. 26, д. 43662, Извештај о чехословачким инвестиционим испорукама и југословенским против испорукама по споразуму од 25. фебруара 1947. године.

177 AJ, KMJ, 836/III-2-d/19, Извештај о међународним економско-трговинским односима ФНРЈ у периоду од 1948. до I полугођа 1952. године, Београд (5.8.1952.

to Moscow in the spring of 1947. The meeting of the Yugoslav state delegation, led by Edvard Kardelj, with Generalissimo Joseph Vissarionovich Stalin, in Moscow at the end of April 1947, and the affirmative position of the Soviet head of state on assistance in building the Yugoslav economy, directly encouraged a more dynamic legal formulation of new economic agreements.¹⁷⁸ The first such agreement between the two governments was signed in Moscow on 25th July 1947, and it included the delivery of plants and industrial devices on credit, which resolved the Yugoslav side's procurement of metallurgical plants planned for construction during the First Five-Year Plan.¹⁷⁹ Since the Yugoslavs were not accustomed to independently building such complex industrial systems, which were to be obtained under the first agreement, a second one was concluded, accompanying the main agreement, which defined the Soviet technical aid and assistance in the building of industrial facilities. A few days later, an agreement on providing arms and military technical supplies on credit was signed as well.¹⁸⁰ The fourth agreement, by which the USSR was committed to sell to Yugoslavia the 1453mm railway rolling stock obtained as spoils of war, was signed a month later, on 23rd August. The negotiations for determining the technical specifications and delivery conditions started immediately after signing these agreements.¹⁸¹

In the last months of 1947, Yugoslavia fell into an internal crisis due to the total collapse of the grain buying policy in the villages. On the other hand, the arrival of capital machine equipment from the USSR and Czechoslovakia for industrialisation purposes did not take place within the prescribed deadlines, the determination of specifications was delayed, and often the most important items were completely omitted.¹⁸² The USSR bound the Czechoslovak and Hungarian industries by agreements for its own economy building purposes, so that the two states were unable to

године).

178 DAMSPRS, 1947, Strogo poverljiva politička arhiva (SPPA), USSR, f. 4, d. 1234, Telegram E. Kardelja Maršalu Titu iz Moskve, 19. april 1947. godine.

179 DAMSPRS, 1947, PA, USSR, f. 107, d. 27403, Sporazum između Vlade USSR-a i Vlade FNRJ o isporuci Jugoslaviji postrojenja i industrijskih uređaja na kredit, 25. jul 1947. godine.

180 DAMSPRS, 1947, PA, USSR, f. 107, d. 21403, Sporazum o uzajamnom pružanju tehničke pomoći zaključen između Vlade USSR-a i Vlade FNRJ, 25. jul 1947. godine.

181 DAMSPRS, 1947, PA, USSR, f. 107, d. 27411, Sporazum između Vlade FNRJ i Vlade USSR-a o prodaji Jugoslaviji železničkog voznog parka koloseka 1453 mm, pripadajućeg Savezu SSR kao ratni plen.

182 AJ, 836/1-3-b/646, Telegram ambasadora u Moskvi Vladimira Popovića maršalu Titu, 4. decembar 1947. godine.

fulfil the agreements signed with Yugoslavia. In a situation of potential political collapse on both fronts, Marshal Tito and his closest associates decided to slightly liberalise the policy relating to the peasantry and seek the equipment in western countries' markets. The overriding interest of the country's economic development forced Yugoslav economic strategists to initiate the reorganisation of foreign trade plans, and accordingly the export contingents of strategic raw materials, especially non-ferrous metals to the USSR and Czechoslovakia had to be reduced and offered to western countries in exchange for installations and machines. Preparing the ground for this intervention by initiating trade agreements with capitalist countries provoked sharp reactions in Moscow.¹⁸³

The refusal of the USA to deblock the monetary reserves without certain concessions, and serious difficulties of Yugoslav foreign trade to find capital equipment suppliers, led the Yugoslav leaders to introduce the USSR as intermediary in the whole business. In the middle of January a dispatch was sent to Moscow to Milovan Đilas, who was heading the Yugoslav delegation there. Although the aim of his visit was political, to resolve the controversy around the entry of Yugoslav units into Albania and the question of the Balkan federation with Bulgaria, M. Đilas was asked to request the Soviet leadership for a loan in gold amounting to 60 million USD, the security for which would be the Yugoslav gold blocked in the US.¹⁸⁴ Đilas presented the issue of the loan in gold for the first time before Andrei Zhdanov on 26th January, and got the reply that it was within Stalin's competence¹⁸⁵, and then repeated the request to Anastas Mikoyan on 11th February and got the same answer.¹⁸⁶ In his talks with V. Molotov, E. Kardelj repeated the request for gold once again, without success, two days after Đilas had done so with Mikoyan.¹⁸⁷ In the meantime, the head of the Yugoslav secret police Aleksandar Ranković had notified the delegation in Moscow that rumours were spreading in Romania "that Mar-

183 Central Intelligence Agency Records Search Tool (CREST), General CIA Records (GCIAR), CIA-RDP82-00457R002300670005-2, Yugoslavia and the Cominform, February 15, 1949.

184

AJ, 836/I-3-b/651, Depeša Milovanu Đilasu sa molbom da pred sovjetskim rukovodstvom zatraži zajam u zlatu, 19. januar 1948. godine.

185 AJ, 836/I-3-b/651, Depeša M. Đilasa maršalu Titu o razgovoru sa Andrejem Ždanovom, 26. januar 1948. godine.

186 AJ, 836/I-3-b/651, Depeša M. Đilasa maršalu Titu o razgovoru sa Anastasom Mikojanom, 11. februar 1948. godine.

187 AJ, 836/I-3-b/651, Depeša E. Kardelja maršalu Titu o razgovoru sa V. Molotovom, 13. februar 1948. godine.

shal Tito accessed The Marshall Plan, that he refused to go to Moscow for consultations, that Marshal Tito decided in favour of American policy and had an argument with Dimitrov, an attempt on whose life was allegedly made yesterday". Doubtless the Russian side had started spinning the web of disinformation in order to discredit Tito's regime and prepare the ground for the final showdown.¹⁸⁸

The decision of the USSR Government not to allow any further stay of Soviet economic consultants in Yugoslavia came somewhat unexpectedly for the Yugoslav economic leaders. Their attempts to effect their stay in Yugoslavia produced no results, while the Soviet side used the pretext that the consultants had been out of the country for too long and had to come back. The Soviet embassy insisted on the urgency of their return, which was a surprising demand in the eyes of the Economic Council members.¹⁸⁹ This demand by the Soviet Government coincided with the negotiations initiated in Moscow about the expansion of trade cooperation. M. Đilas, Vladimir Popović and Bogdan Crnobrnja started negotiations with Mikoyan on 20 February. On that occasion Mikoyan requested that Yugoslavia should not export non-ferrous metals to the western countries, and told them that the USSR would pay all the available export contingents in dollars and pounds. On the assurances of the Yugoslav delegates that it was their "political line" too, Mikoyan said "that it might be so now, but that it has not been the line before".¹⁹⁰ The Yugoslav trade delegation to the Soviet Union, which was still led by the deputy minister of foreign trade B. Crnobrnja, during the two months of negotiations faced the Soviet Government's permanent refusal to provide a final answer on signing a new trade agreement and expanding the scope of trade in the articles essential for the country's industrialisation. To the surprise of J. B. Tito and the entire Yugoslav top leadership, the ultimate answer was negative. For the first time, Yugoslavia was in a position that due to relying on one state exclusively, it had lost valuable time to try to realise its needs on the other side.¹⁹¹

188 AJ, 836/I-3-b/651, Depeša Aleksandra Rankovića M. Đilasa o antijugoslovenskim glasinama u Rumuniji, 6. februar 1948. godine.

189 DAMSPRS, 1948, PA, USSR, f. 133, d. 42088, Hitna molba sovjetske ambasade u Beogradu da se sovjetski savetnici u jugoslovenskoj privredi vrate u USSR, 26. januar 1948. godine.

190 AJ, 836/I-3-b/651, Depeša M. Đilasa maršalu Titu o razgovoru sa A. Mikojanom po trgovinskim pitanjima, 21. februar 1948. godine.

191 M. Ninković, „Misija Bogdana Crnobrnje u Moskvi i pitanje odustajanja od trgovinskih pregovora za 1948. godinu“, *Istorija 20. veka*, 2/2018, 117–135.

The change of tone of cooperation between the countries was soon to show that a much deeper political conflict lay in the background. The Soviet diplomatic and military representatives in Yugoslavia received on 18th March their government's order to immediately send back all the military and civilian advisors on the pretext that they were "surrounded by unfriendliness".¹⁹² The letter of the Central Committee of the CPSU(b), which arrived on the address of the Central Committee of the CPY on 27 March 1948 shed light on the previous moves by the Soviet Government.¹⁹³ There was a standstill in negotiations at the state level regarding the delivery of industrial plants and machines on loan in the second half of April. At the beginning of the year the Soviet side had delivered, as an advance delivery, the machines in the value amounting approximately to 800,000 USD, and those were the first and last deliveries received by Yugoslavia based on this agreement. Already in June, the Yugoslav delegates in Moscow in charge of technical cooperation on this issue were not extended visas and were forced to leave the USSR. The other agreements were not realised in full either, although the percentage of their implementation exceeded by far this, for the Yugoslav state, crucial arrangement with the Soviets.¹⁹⁴ The Yugoslav leadership lost the last illusion of any continuation of any form of cooperation only at the end of 1948, when the USSR Foreign Trade Minister A. Mikoyan, after the conclusion of negotiations on trade in Moscow, informed the member of the Yugoslav trade delegation, Milentije Popović, that the implementation of the Agreement on the Delivery of Industrial Plants on Loan was suspended as long as the Yugoslav party and state leadership persisted in their current political position.¹⁹⁵ The demand to settle the amount of 800 thousand dollars mentioned above, which followed at the end of January 1949, put an end to this Agreement and to any further cooperation with the USSR.¹⁹⁶

192 AJ, 836/1-3-b/655, Pismo predsednika ministarskog saveta J. B. Tita ministru spoljnih poslova USSR-a V. M. Molotovu, 20. mart 1948. godine.

193 AJ, Komisija za međunarodne odnose i veze Centralnog Komiteta Saveza komunista Jugoslavije (KMOVCKSKJ), USSR, 507/IX, 119/1-1, Pismo CK SKP(b) Centralnom Komitetu KPJ, 27. mart 1948. godine.

194 DAMSPRS, 1949, PA, USSR, f. 99, d. 23510, Osnovni elementi i podaci iz odnosa između FNRJ i USSR, 1949. godina.

195 DAMSPRS, 1948, PA, USSR, f. 132, d. 432110, Pregled svih pravnih dokumenata iz kojih proizilaze politički, ekonomski, saobraćajni i drugi odnosi između FNRJ i USSR.

196 DAMSPRS, 1949, PA, USSR, f. 99, d. 23333, Kratki referat o razgovorima sa predstavnicima USSR-a u vezi sa sporazumom između Vlade FNRJ i Vlade USSR o isporuci Jugoslaviji industrijskih postrojenja i uređaja na kredit od 25. jula 1947. godine, 21. februar 1949. godine.

Reorientation to cooperation with the West after 1948 and its effect on industrialisation

After the break of the economic relations and total economic blockade of the country by the USSR and its satellites, the circumstances largely demanded the reorientation of the foreign policy from the Eastern markets to the markets of Western Europe. The complexity and difficulty of this task was compounded by the growing complexity of international trade and a lack of knowledge on the global market situation. In addition, Yugoslavia was forced to face the consequences of economic pressure of the Cominform countries and secure the supply of the most necessary capital goods and equipment for the Five-Year Plan facilities, raw materials for the industry and secure marketing of export articles for obtaining the foreign currencies required for purchases abroad.¹⁹⁷ All the tasks identified above demanded immediate solutions with a view to alleviating the effects of the economic isolation measures taken by the East Bloc countries. In a relatively short period of time, Yugoslavia succeeded in reorienting foreign trade to new markets and different business conditions, getting past the economic blockade and foil the hostile plans of the USSR and its satellites to cause damage to the economy and the country's defence capabilities.¹⁹⁸ Through the conduct of trade agreements and trade operations, Yugoslavia gained huge experience and realised the conditions for the expansion of economic relations and trade. New trade relations were established, and in a short while, the country was presented to the Western world as a serious partner in international trade. With a gradual strengthening of trade relations, the international political positions were strengthened too, and the Yugoslav state became firmly established as a fighter for political independence and economic equality between the countries.¹⁹⁹

197 *FRUS*, 1948, Eastern Europe, The Soviet Union, Volume IV, (Washington: United States Government Printing Office, 1974), Document no. 725, The Chargé in Yugoslavia (Reams) to the Secretary of State, Belgrade, September 15, 1948.

198 National Archives and Records Administration (NARA), Record Group (RG) 59, Central Decimal Files (CDF), box 5330, 868.00/2-2751, Yugoslavia: Annual Economic Review for 1950, February 27, 1951 (I would like to thank my dear friend and colleague Jovan Čavoški, PhD, on the documents provided from the US National Archives in Washington DC).

199 AJ, KMJ, 836/III-2-d/19, Izveštaj o međunarodnim ekonomsko-trgovinskim odnosima FNRJ u periodu od 1948. do prvog polugoda 1952. godine, Beograd, 5. avgust 1952. godine.

Until the break of the economic relations, the share of the USSR and the Soviet Bloc countries in trade amounted to 50%.²⁰⁰ The fact that trade with Eastern Europe accounted for half the exchange on a global scale testifies to the importance of Czechoslovakia and the USSR in the first place for the Yugoslav economy. In view of that, the strengthening of international economic ties with the West was one of the most important conditions for the development of the Yugoslav economy. Thus, the basic form of economic relations with foreign countries was foreign trade. It was related to the export of domestic goods to the global market with the aim of buying products required for to the domestic economy. A second important form of economic co-operation was the use of international loans and credits, and then co-operation through the UN and its economic commissions relating to economic issues and technical assistance, as well as direct co-operation of domestic companies in concrete trade with their business partners abroad, commercial organisations, etc.

The interest of constant strengthening and economic progress of the country, in the period after the Cominform Resolution, resulted in Yugoslavia renewing old and signing new trade agreements with the Western Bloc countries, resolving many unresolved issues, such as the repayment of compensation for nationalised property and previous state debts based on credits, signing several transport arrangements and conventions regulating international traffic, and concluding several investment agreements for the purchase of equipment for civilian and military needs on credit. The result of this dynamic foreign-trade activity was the expansion of the political and economic room for manoeuvre. Contrary to the Cominform's expectations, Yugoslavia avoided international isolation and established ties on all sides with the western countries, which were in many ways more beneficial to those it had before. The final long-term effect of the Cominform Resolution with respect to international political and economic connections was positive for Yugoslavia. The negative consequences were reflected in the fact that the commissioning of some factories and electric power plants was temporarily postponed, and thus the goals of the First Five-Year Plan could not be achieved to the end.²⁰¹

After the unilateral termination of economic relations and investment agreements by the Cominform countries, Yugoslavia was stuck

200 Александар Ракоњац, „Обнова старих и успостављање нових трговинских односа (1945–1947) - Југославија, СССР и државе „народне демократије““, *Токови историје*, 1/2018, 55–79.

201 AJ, KMJ, 836/III-2-d/19.

with a number of started facilities and without the right equipment having been provided for them.²⁰² In these circumstances the solutions imposed to provide the necessary equipment were extremely difficult. The first solution was to start using the already constructed machine building capacities to manufacture one part of the equipment in the country as soon as possible. However, the difficulties with the implementation of this solution were enormous, as Yugoslav economy was facing this type of production for the first time, which demanded the time for staff training and the organisation of production. The implementation of this decision was also disrupted by the deficit in steel, which was to be resolved while mastering equipment production. The second solution that was imposed was related to the reorientation of foreign trade, i.e. the possibility of purchasing the machines and installations in the capitalist West. Along with the difficulties in finding the suitable firms which would take over the delivery of the needed equipment, the problem of paying for this equipment arose, as the value of potential purchases exceeded the limit provided for foreign trade. In addition to the equipment procurement issue, another consequence of political and military pressure from the USSR and the people's democracies was the need to change the structure of national income spending towards greater allocations for national defence, which resulted in reduced investments in the economy. The third reason for the establishment of the key facility programme was the deficit of the balance of payments, which appeared as a consequence of the reorientation of foreign trade and the reduction in yields due to droughts in agriculture. Those reasons had a negative effect on the investment policy and resulted in the creation of an investment building programme which was intended to restrict the broad range of investments and focus all efforts on a certain number of key facilities. This change of the investment plan was aimed at preventing a rise of the existing disparities in the economy. The investment funds reduced in this way were to be used most efficiently in order to put individual large facilities into operation as soon as possible. This key facility programme did not match the programme of construction of the First Five-Year Plan, as it originated in the conditions of economic blockade, the political and military pressure of the Cominform countries, the need for efficient machine building and balance of payments activation. Under the influence of these factors, in some branches the programme was broader than the Five-Year Plan (ferrous metallurgy

202 DAMSPRS, 1949, PA, USSR, f. 99, d. 23540, Raskidanje ugovora od strane vlada USSR i drugih IE zemalja.

and machine building), and narrower in others, and the investment activity of the latter was reduced to the necessary minimum (the cement and food industries).²⁰³ However, the FPC did their utmost to come by additional funds and allocate them towards building some major light industry facilities.²⁰⁴ Be that as it may, the key facility programme was not a static quantity – there were 140 facilities at the time of its establishment – but had an expanding tendency.²⁰⁵

The key facilities programme temporarily prevented the locating of new facilities in backward regions, as it aimed to achieve time and financial efficiency in completing initiated projects and took into account strategic aspects. The reasons for adopting the Programme lied in the fact that due to traffic conditions, labour problems, and difficulties in building communal housing facilities, the profitability of investments was much lower and, in those conditions, it was inexpedient to use the existing investment funds in solving this issue. Due to all the factors specified above, the passive regions were, despite the First Five-Year Plan decisions, destined to a temporary stagnation in terms of development. Construction financing was carried out from the current accumulation, loans and amortisation funds of enterprises. The use of the enterprises' amortisation funds for the Programme aims temporarily prevented the reconstruction of existing factories, thus undermining the overall economic efficiency. On the other hand, the Programme resulted in the longest survival of administrative measures relating to the distribution of the part of the national income earmarked for investments. Along with the positive sides they revealed in the fast development of the basic industry and vital traffic infrastructure, the administrative measures in the state investment policy had a negative effect on the costs of building individual facilities. These negative effects were compounded by the domestic staff's inexperience in the building of such facilities, which led to the rise in the building prices in the investments of the building type. This rise in prices was estimated at around 30% of the construction works value. However, gaining work experience with the new industrial facilities, the staff compensated for those losses.²⁰⁶

203 AJ, Kabinet predsednika republike (KPR), 837/III-A-1-c, Investiciona politika, 10. avgust 1952. godine; AJ, 6-29-30, Izmena planova investicija, 18. jul 1950. godine.

204 AJ, 10-53-55, Investiciona problematika Ministarstva lake industrije FNRI, 5. april 1950. godine.

205 AJ, 837/III-A-1-c.

206 Ibid.

Table 3: Investments in military and civilian economy in millions

The summary of realisation of investments in civilian economy				The summary of realisation of investments in the Ministry of National Defence		
year	dinars	dollars	%	dinars	dollars	%
1947	36,718	734	84	7,006	141	16
1948	46,415	928	77.6	13,408	268	22.4
1949	58,783	1,176	86	9,574	191	14
1950	51,432	1,029	78.8	13,868	277	21.2
1951	44,502	890	80.2	11,000	220	19.8
1952	43,300	866	86.6	6,700	1,000	13.4
Total	281,150	5,623	82	61,556	1,231	18
158.1 million dollars or 2.8% of investments from concluded loans was invested in the civilian sector						

The construction of the key facilities aimed to realise the revised, and then amended plan of industrialisation and electrification, so that compared to 1950, electric power production was to be increased by 67%, coal production and processing by 64%, oil processing by 54%, ferrous metallurgy production by 180%, non-ferrous metallurgy by 161%, non-metals by 136%, electric power industry by 116%, major chemical industry by 46%, etc. This primarily included heavy industry facilities, the completion of which was made uncertain due to the termination of investment agreements by the Cominform countries. This Programme did not match the Five-Year Plan building programme, as in the conditions of economic blockade by the East and increased allocations for defence, the broad range of investments was narrowed down, and the funds were for the most part directed towards faster development of ferrous metallurgy and machine building facilities. As a result, the investment activity in other branches was reduced to a minimum. Despite the high unpredictability caused by the split with the Soviets, thanks to the active politics of the state leadership, heavy industry development was favourably resolved for the most part. Speaking of production before and after the Second World War, or in 1939 compared to 1951/52, there is visible progress achieved owing to the development of new and the expansion of the old heavy industry ca-

pacities. In 1952, ferrous metallurgy production was by 76% higher than in the last year before the war broke out, non-ferrous metallurgy by 45%, non-metal processing industry by 73%, metal and machine building industry by 165%, electric power industry by 702%, chemical by 64% and building materials industry by 77%. The production structure dominated by machines the annual production of which in the same period was raised by 482% testifies in the best way to the qualitative changes that took place in the Yugoslav heavy industry.²⁰⁷

Table 4: Investments in industry per capita (in the prices from 1952)

	1947	1948	1949	1950	1951	1952
Investments in industry (in million dinars)	60,193	83,805	126,020	128,344	134,447	167,104
Population (in thousand inhabitants)	15,662	15,817	15,972	16,147	16,338	16,545
Investments <i>per capita</i> (in dinars)	3,843	5,298	7,890	7,948	8,229	10,100
Index of investments <i>per capita</i>	100	137.9	205.3	206.8	214.1	262.8

The year of greatest efforts in terms of investments was 1949, after which they started falling until they stabilised in 1952/53. Despite the drop in the number of investments from 1949 to 1952, investments in industry were absolutely growing, which resulted from the concentration of investment funds on basic industry facilities. Along with the absolute rise of investments in industry, investments in agriculture were declining, and the reason, in addition to the focus of investments on heavy industry and transportation, was in the stabilisation of the existing state-run agricultural estates. With respect to the concentration of financial investment funds within the basic industries, power industry stood out with the level

207 *Statistički godišnjak FNRJ za 1954. godinu*, (Beograd: Statistički zavod, 1955), 162; AJ, 837/III-A-1-c.

of spending, as the development of the energy base through the key facilities programme was intended to form a solid energy foundation, which was essential for the further development of industry and other branches of economy.²⁰⁸ With that in mind, a number of facilities were put into operation by 1953. The most important among them were the thermal power plants Kostolac, Zenica, Lučani, Banovići and Zrenjanin, then the hydroelectric power plants of Vinodol, Ozalj II, Moste, Mariborski Otok, Sapunčica, Pesočani, Slap Zete, the coke and coal screening plant of Lukavac, a new refinery of motor and transformer oil, a new refinery of lubricating oils, etc. However, despite significant results in power industry, most of the investments of this period, in power engineering in particular, were not activated. The commissioning of these power facilities was planned for the period between 1953 and 1957. The examples of the hydroelectric power plants of Vlasina, Zvornik, Vuzenica, Jablanica and Mavrovo are good illustrations, because over 50% of the necessary funds for the completion of construction were invested in each of the mentioned facilities. By starting up these power plants, the electric power industry was supposed to get richer by 508 MW of installed capacity.²⁰⁹

By 1952, the range of industrial production was significantly expanded, and the quality was raised to such a level that the results in those fields were no longer comparable to those from before 1949. Mechanical engineering and electrical industry had a particularly rapid growth, as few countries had at the time. It should be borne in mind that with respect to the use of available capacities, the metal processing industry was in the lead with 89% utilisation, the electrical industry with 87%, followed by the chemical industry with 58%, and the construction industry with 71%. During the six years of implementation of the First Five-Year Industrialisation Plan, 700 billion dinars in total were invested in industry, of which 343 billion dinars or 49% of all investment were invested in the military industry in the period from 1948 to 1952 due to pressure from the USSR and its satellites. Despite the economic blockade of the Soviet Bloc countries, increased material expenses for defence, the natural disasters of 1950 and 1952, permanent rise of investments in industry,

208 AJ, Savezni zavod za društveno planiranje (SZDP), 459–24, Investiciona ulaganja 1946–1955 po tekućim i stalnim cenama, II deo, Tabela rni pregledi bruto investicija, februar 1957. godine.

209 AJ, 837/III–A–1–c.

primarily electric power and basic industry, the state for the most part achieved the goals of the Five-Year Plan.²¹⁰

Although the development of the power industry was significant, electrical power industry was lagging behind in construction compared to other industries, which negatively affected production in those industries and other sectors. In terms of the scope of investment in industry, the metallurgical industry held the second place. The aim of the programme of key capital development, in these industries, was to develop a raw material base for the metal processing and electric power industries. A series of facilities within those industries were put into operation, such as the *Blooming* rolling mill in Zenica, part of the seamless pipes rolling mill in Sisak, the sheet metal rolling mill in Smederevo, copper electrolysis in Bor, five new flotations of lead-zinc ores, the grog factory in Arandjelovac, "Magnohrom" in Rankovićevo (Kraljevo). However, huge funds were also invested into several metallurgical industry facilities which were not commissioned and were expected to start working in the mid-1950s. The cases of the aluminium and alumina factory from Kidričevo and the copper rolling mill from Sevojno, which were awaiting the investment of the remaining 12.1% and 20% respectively of the necessary funds for plant completion are good examples of the efforts taken with the aim of completing the first industrialisation phase. Similarly, in addition to those factories which were to go into partial operation in 1954, the start of production within this industry branch was also awaited in the furnace and coke plant in Zenica.²¹¹

The third place in terms of the scope of investments in industry was held by the metal processing and electric power industries. The programme fostered the development of machine building, so that it could gradually meet the growing demands of the developing economy. A number of new factories were built during the First Five-Year Plan, while the existing ones underwent a fundamental reconstruction and expansion. For the most part, the capacities planned for these branches were developed in the provided timeframes. The next step was to develop the production of specific types of equipment, which required additions to the existing machines. The machine building factories were already making equipment for hydroelectric power plants, ferrous metallurgy, agriculture, civil engineering and transportation facilities. The key facilities programme had

210 AJ, LFMT (Lični fond Mijalka Todorovića), 522–81, Povećanje proizvodnje, Osnovno pitanje naše ekonomske politike, 1953. godina.

211 Ibid.

good results in other industries as well. For example, four spinning mills were constructed in the textile industry, and the starch factory in Zrenjanin was in the final phase of construction. In this period, Yugoslavia was granted a number of loans from the International Bank for Reconstruction and Development, private banks from abroad and other countries. The largest part of these loans (191.3 million dollars) was used to purchase equipment.²¹² Although the amount of these loans was small compared to the efforts taken by the country in the direction of industrialisation, they were decisive in the key capital development, as they made possible the purchase of equipment for the most important industrial facilities and industrialisation.²¹³ The total or partial construction of individual facilities enabled the country, between 1952 and 1953, to initiate a gradual transition to the system of investment credits, thus doing away with the last remnants of the Soviet methods of investments in the economy.

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212 AJ, 459–18, Investiciona ulaganja u periodu 1947–1953. godine.

213 AJ, 837/III–A–1–c.

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