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A RATIONAL TRANSITION: ECONOMIC EXPERTS AND THE CONSTRUCTION OF POST-COMMUNIST SLOVENIA

by

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A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE DOCTOR OF PHILOSOPHY

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Abstract

A Rational Transition: Economic Experts
and the Construction of Post-Communist Slovenia

by
Tatiana Bajuk

Based on research conducted over a twenty-four month period in Ljubljana, Slovenia, this dissertation provides an ethnographic study of the role of economists in charting Slovenia's transition process. The project argues that economics as a science is not homogeneous across cultures but that its history and implementation are contingent upon the position of its producers. It examines the practices of economists and the roots of their cultural authority which allows them to occupy influential positions beyond the technical confines of a community of specialized knowledge. The chapters trace the relationship between the history of economics as a discipline and the events that led to Slovenia's process of independence. They focus particularly on the emergence of depoliticized economic discourse as a legitimate critical strategy and track the way that this continued neutralization informed Slovenia's broader processes of change. Finally, this study questions the naturalness of the concept of transition presumed by the depoliticization of economic discourse through an analysis of discourses that contest or subvert it.
Acknowledgments

This project is based upon research conducted over a two year period in Ljubljana, lasting from November of 1994 to November of 1996. I was greatly aided in this endeavor by the financial support of the National Science Foundation which provided me with a Doctoral Dissertation Improvement Grant in Ethics and Values Studies. I am grateful to the Join Committee of the American Council of Learned Societies and the Social Science Research Council, whose Doctoral Dissertation Fellowship provided me with generous support during the period of dissertation writing. I would also like to acknowledge the financial and institutional support of Rice University throughout the development of this research project.

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INTRODUCTION

The Eastern European revolutions in the fall of 1989 immediately stood out as a great milestone in human history -- an impression that was reinforced by the collapse of the Soviet Union at the end of 1991. Classical communism remains only in two small enclaves, Cuba and North Korea. The common battle cry of the new revolutionaries has been to build a "normal" society. Timothy Garton Ash, a leading observer of Eastern Europe, has appropriately defined this vision of normalcy as "Western, European, liberal, democratic, with a market economy based on property rights, a freely elected parliament and an independent judiciary. Something between Switzerland and Sweden."¹

Next year the world will commemorate the 10-year anniversary of the revolutionary changes that transformed Eastern Europe and the former Soviet Union. While these changes unfolded in a different manner in each country, certain dramatic events -- Solidarity's electoral victory, the dismantling of the Berlin Wall, the mass demonstrations in Prague and in Bucharest -- will forever symbolize utopian moments which made it seem that the Iron Curtain literally fell before the eyes of the world. The era defined by the Cold War opposition between communism and capitalism as competing world ideologies came to a close, ushering in a period during which new democratic states embarked upon processes of change to realize their vision of ideal normalcy as defined above by Timothy Garton Ash.

With the fall of communism secured, it seemed that the adaptation of this universally normal vision was simply a matter of technique. Entire fields of thought emerged, rising to the historic challenge: to engineer the shift from socialism to capitalism while introducing democratic political institutions at the same time. The subfield of transition economics developed as economists debated and outlined policies of crucial

economic reforms which were considered to define the success or failure of a transition.
For example, great debates were waged among economists as to the more effective way of
executing the change from socialist to capitalist systems. Was it better to chart the shift in
systems gradually, one reform following another, or would it be better to prescribe a shock
therapy approach, which entailed launching reforms simultaneously? A chasm, shock
therapists argued, could not be crossed in two leaps. Deliberations concerning the
relative benefits and costs of the two approaches would weigh the priority of different
issues. Was the interdependence of the economic reforms and the need to launch them
together for maximum effectiveness more or less important than the weak state of the
economy upon which they were to be implemented? Was it possible to effectively
transplant a market economy by way of engineered reforms or was it instead necessary to
allow for the organic growth of market economy? Was the importance of making a clean
break with the past system more or less important than the political response to the effects
of a shock therapy program? To this end economists would compare and contrast the
experiences of post-communist transition countries with that of China, which is
implementing a gradual shift from central planning, and the countries of Latin America,
which experienced shock programs of macroeconomic stabilization.

However, the experience of implementing economic reforms belied the beliefs that
the transition was a straightforward process. The negative political reactions in many

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2 The debates concerning the distinction between big bang/shock therapy and gradualism is
quite broad and addresses different issues of reform. One of the more playful yet telling
introductions to this debate is a mock interview between a "Prime Minister" and a "Western
Advisor" in Walter Adams and James W. Brock, Adam Smith Goes to Moscow: A Dialogue
on Radical Reform, Princeton: Princeton University Press, 1993. Other works include Anders
Aslund, op. cit.; Vittorio Corbo, Fabrizio Coricelli and Jan Bossak, eds. Reforming Central
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Politics and Societies, 6 (winter 1992); Peter Murrell, "The Transition According to Cambridge,
countries to harsh economic reforms -- the election victories of formerly communist parties were interpreted in this fashion -- provoked questions as to the sort of relationship between political and economic reforms, particularly where it concerned the role of political support of an economic reform policy. These "complications" in the technical implementation of reforms was in part the basis for renewed theoretical debates concerning the relationship between democracy and capitalism. What sort of political system is most conducive to the implementation of market reforms? While there is a general consensus that a democratic political system is the ideal framework for the operation of a "mature" market economy, questions arose concerning the situations of developing or crisis economies, and as to whether democracies help or hinder the maintenance of harsh economic reforms. 3

Others questioned whether these complications pointed to particular characteristics of the transition countries, certain conditions that precluded the comparison of these transitions with the experiences of other countries, especially those of countries in Latin America. Were these all variations on a similar process? Given their similar aims, would the different starting positions of these countries shed light on the experiences of others? Or would these very differences which define the course of change make comparisons irrelevant and useless? 4

Recognizing growing discrepancies between the theory and practice of reform, some instead questioned the usefulness of transition as an analytical concept. In her last

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work, *What Was Socialism, and What Comes Next?*, anthropologist Katherine Verdery joins the ranks of skeptics of "transitological writing:"

This skepticism comes from being not at all sure about what those central concepts -- private property, democracy, markets, citizenship and civil society -- actually mean. They are symbols in the constitution of our "Western" identity, and their real content becomes ever more elusive as we inspect how they are supposedly taking shape in the former Soviet bloc. Perhaps this is because the world in which these foundational concepts have defined "the West" is itself changing -- something of which socialism's collapse is a symptom, not a cause. The changes of 1989 did more than disturb Western complacency about the "new world order" and preempt the imagined fraternity of a new European Union: they signaled that a thoroughgoing reorganization of the globe is in course. In that case, we might wonder at the effort to implant perhaps-obsolescent Western forms in "the East."  

Verdery questions the validity of these values as appropriately representative of either the changes in the East or in the West within a post-cold-war world, a world that is itself experiencing a "thoroughgoing reorganization." Situating the fall of communism within this greater global reorganization, she subverts the role ascribed to the fall as setting in motion a process of change as well as to the role of these values that supposedly define it.

Verdery is but one of many that have questioned the concept of transition. According to Slavoj Žižek, the rise of capitalism and democracy as organizing principles comprise a particularly Western gaze, a gaze which he identifies as the West's fascination with its own lost ideals:

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Why was the West so fascinated by the disintegration of Communism in Eastern Europe? The answer seems obvious: what fascinated the Western gaze was the reinvention of Democracy. It is as if democracy, which in the West shows more and more signs of decay and crisis and is lost in bureaucratic routine and publicity-style campaigns, is being rediscovered in Eastern Europe in all its freshness and novelty. The function of this fascination is thus purely ideological: in Eastern Europe, the West seeks for its own lost origins, its own lost original experience of "democratic invention". In other words, Eastern Europe functions for the West as its Ego-Ideal (Ich-Ideal): the point from which West sees itself in a likable idealized form, as worthy of love. The real object of fascination for the West is thus the gaze, namely the supposed naive gaze by means of which Eastern Europe stares back at the West, fascinated by its democracy. It is as if the Eastern gaze is still able to perceive in Western societies its own agalma, the treasure that causes democratic enthusiasm and that the West has long ago lost the taste of.  

The above critiques of the interpretation of the fall of communism shed light on the extent to which the notion of transition is informed by cold-war dichotomies. The fall of communism is considered as a moment which embodied the rejection of communism for its ideological opposite. The fall set in motion a transition period evaluated in ideological terms, terms that Verdery speculates may be becoming quickly obsolete.

My aim in this dissertation is to provide an account of the changes that have occurred in the state of Slovenia, considering the notion of transition not as the self-evident reflection of Slovenia's process of change as but one of its many possible representations. Instead I will portray here the history of Slovenia's reform as the interplay between contesting interpretations with differing claims to social authority and subsequently

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different roles in defining Slovenia’s course of change. Of these interpretations I will focus on the role of those discourses which inform the drawing up and implementation of economic reforms. The importance accorded to economic reforms as evaluating the success or failure of a transition has endowed economics and economic discourse with an influence that extends beyond its domain of technical expertise. Issues concerning Slovenia’s identity as a nation are defined predominantly in economic terms.

The role of economic discourse in the case of Slovenia is highlighted by the complexity of Slovenia’s transition from socialism. Slovenia is one of the few post-communist countries that embarked on a triple transition: a transition to a democratic, capitalist and newly-founded state. As a former republic of Yugoslavia, Slovenia declared its independence on June 25, 1991, thus combining the shift from socialism with the task of constructing the institutions of an independent nation.

The authority accorded to economics is linked in part to the concept of the transition as a process that presumes the universal, objective validity of democracy and capitalism as organizing principles. The implementation of market reforms is thus in this context evidence of the objectivity and universality of economics as the specialized knowledge necessary for charting Slovenia’s path from socialism to capitalism. Thus my exploration of the role of economic reforms and of economic discourse in Slovenia’s shift from socialism is linked as well to an inquiry into the construction of the authority of economics.

Yet the questions as to the constructed, partial nature of the construct of transition can also be posed to the understanding of economics and of economic authority. If the transition is not considered simply as a resolution of the opposition between communism and capitalism, why would economics be automatically accorded such authority? My answer to this question was to conduct an ethnographic study of Slovene economists as a means of localizing the abstract universality accorded to economics presumed by the concept of transition.
My work is informed by investigations carried out in and between many disciplines. It is inspired on a fundamental level by the different sorts of investigations that have called attention to the constructed nature of the market economy.

Karl Polanyi was one of the first to compile a history of the process of the construction of the self-regulating market system, sketching out its roots as a concept as well as its emergence in the wake of the Industrial Revolution. Furthermore, he drew out the distinctiveness of the self-regulating market from preceding economic institutions, a fact that had been written out of previous economic histories which have naturalized the emergence of the self-regulating market as the culmination of a continuous evolution of economic institutions. Instead he portrayed the extent of changes and upheavals that the creation of the self-regulating market as a seemingly autonomous arena -- a characteristic that intrinsically distinguished it from previous economic institutions -- entailed.7

Other works, most of which could be roughly categorized as anthropological studies of economics, have analyzed the effects of the imposition of market relations, be this expansion understood in terms of development, colonization or industrialization.8 They exposed the power exercised in the implementation of projects construed as introducing economic progress by describing the sorts of economic and cultural practices that were displaced as well as the dynamics and strategies of resistance to these sorts of change.

This trend has been developed further by works that have focused on the constructed nature of development discourse, addressing the ways in which these

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displacements are made to seem natural. One of the key works in this vein is Arturo Escobar's *Encountering Development: The Making and Unmaking of the Third World*. Drawing on Foucault's work on the ordering power of discourse in the representation of social reality, Escobar explores the way that the development discourse became a reality in most of the Third World. To do so he links it to its historical roots, focusing on the conditions that contributed to its creation as an economic strategy and to the practices that allowed it to implement its representation of reality:

I propose to speak of development as a historically singular experience, the creation of a domain of thought and action, by analyzing the characteristics and interrelations of the three axes that define it: the forms of knowledge that refer to it and through which it comes into being and is elaborated into objects, concept, theories and the like: the system of power that regulates its practice; and the forms of subjectivity fostered by this discourse, those through which people come to recognize themselves as developed or underdeveloped. The ensemble of forms found along these axes constitutes development as a discursive formation, giving rise to an efficient apparatus that systematically relates forms of knowledge and techniques of power.⁹

In this fashion Escobar documents the way that the seemingly transparent representations of social reality upon which development interventions are based depended upon the evolution and maintenance of an entire system which in turn created the epistemic categories which it seemed to represent.

James Ferguson's work on development projects in Lesotho complements Escobar's study of the mechanisms of power involved in development's politics of representation by problematizing the notion of intentionality in representation. His analysis focuses on

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deconstructing the category of failure in development as referring to events that are beyond the control of development discourse:

...outcomes that at first appear as mere "side effects" of an unsuccessful attempt to engineer an economic transformation become legible in another perspective as unintended yet instrumental elements in a resultant constellation that has the effect of expanding the exercise of a sort of state power while simultaneously exerting a powerful depoliticizing effect. It is this unauthored constellation that I call the "anti-politics machine."10

Positioning development discourse within a larger context, particularly in relation to the institutional apparatus of the state, Ferguson portrays the significant effects of development projects that are written out of development discourse which elides the effects into the discursive realm of failure. However, these events relegated to the sphere of failure have a profound impact on the rural communities which were to be developed. The fact that these are identified simply as side-effects of development failure naturalizes these actions -- which include the establishment of a much stronger role of the state in rural affairs -- as authorless.

Ferguson’s concept of the anti-politics machine expands the institutions and actors linked to the implementation of development projects beyond the self-referential discursive apparatus of development, identifying beneficiaries of development failure whose role in the attainment of these benefits (if they play any direct role at all) is neither acknowledged nor articulated in scientific discourse.

In focusing on the role of economists, I intend my work to complement that of Escobar and Ferguson by identifying and analyzing the role of social actors whose subjectivity is written out of the discourses of development or of the discourses of

economics in general. Or to be more precise, these subjectivities are accorded the same attributes as those of economic discourse itself: objective, rational, scientific, and universal in terms of impersonal. Furthermore, my interest lies in exploring the link between the formation of these subjectivities, the cultural construction of economics as a science accorded cultural superiority as a form of knowledge.

Describing economics as rhetorical, Donald McCloskey and Arjo Klamer, among others, have pointed to the reified distinction between scientific, positivistic forms of inquiry (such as the ones that characterize economics) and non-scientific ones, recasting economics as one of many forms of knowledge. For example, in The Rhetoric of Economics, economist and historian Donald McCloskey has traced the history of official economic method and argument to its roots in philosophical modernism, thus identifying the objectivity, rationality and neutrality attributed to economic method as the constructions of a particular moment in the history of science. Treating the present modernist methodology of economics as one among many possible modes of inquiry as opposed to the one possible means of attaining objective truth allows McCloskey to make space for a discussion concerning the strengths and weaknesses of this methodology and its effect on the progression of economic practice.

Rhetoric, then, might be a way to look at economic talk, and a way to make it better. Better, not less rigorous, difficult, serious, weighty. A rhetoric of economics does not entail a Santa Monica approach to science (Hey, man, how do you feel about the law of demand today?). Were economists to give up their quaint modernism and open themselves officially to a wider range of discourse, they would not need to abandon data or mathematics or precision. They would merely agree to examine

their language in action, and converse more politely with others in the conversations of mankind.12

The rhetoric of economics forms part of a larger body of interdisciplinary research conducted by historians, philosophers, sociologists, anthropologists, scientists and others on the social construction of scientific knowledge. It is based in part on the work of Thomas Kuhn who demystified the generally held belief of science as an objective progression of knowledge towards the ultimate goal of truth and as scientific method as being the only valid means of attaining objective truth.13 As Kuhn and later others point out, the image of objective scientific progress does not reflect the practices involved in the production of scientific knowledge:

History, if viewed as a repository for more than anecdote or chronology, could produce a decisive transformation in the image of science by which we are now possessed. That image has previously been drawn, even by scientists themselves, mainly from the study of finished scientific achievements as these are recorded in the classics and, more recently, in the textbooks from which each new scientific generation learns to practice its trade. Inevitably, however, the aim of such books is persuasive and pedagogic; a concept of science drawn from them is no more likely to fit the enterprise that produced them than an image of a national culture drawn from a tourist brochure or a language text. This essay attempts to show how we have been misled by them in fundamental ways. Its aim is a sketch of the quite different concept of scene that can emerge from the historical record of the research activity itself.14

12Donald N. McCloskey, The Rhetoric of Economics, p. 35.
14Thomas S. Kuhn, op. cit., p. 1.
Pointing out the constructed nature of the image of scientific knowledge and scientific method, this line of research shifted the focus of the history and philosophy of science onto the producers of scientific knowledge. The history of science as an objective progression of knowledge was replaced by a narrative of paradigm shifts within scientific communities. The notion of scientific achievements attained through strict adherence to a universal methodology was redefined by the new relevance accorded to everyday experience of the production of scientific knowledge which included such factors as the limits of scientific equipment, inaccurate results and sometimes even data manipulation. This line of thinking inspired ethnographic laboratory studies such as those of Karin Knorr-Cetina, Steve Woolgar, and Bruno Latour among others, who explore the role of social conditions in defining the process of scientific production.\textsuperscript{15} Research such as that of Sharon Traweek, whose ethnographic study of high energy physicists focused not so much on influence of social factors on scientific method but on the social or cultural aspect of scientific method itself, further deconstructing the category of science:

I wanted to find out how the physicists generate the shared ground that all members of the community stand upon; how they define the established terrain within which debate can occur, the recognized strategies for making data and equipment and reputations, and the ground rules for contesting data, machines and reputations. Describing and explaining how knowledge in science and technology is contested is the subject of many books and articles published during the last fifteen years...I have chosen to describe how scientists and engineers construct the ground on which this contest is waged, how they all can agree on what can be contested, how they can all agree on what is an interesting or a boring contest. I believe that to

understand how scientific and technological knowledge is produced we must understand what is uncontested as well as what is contested, how the ground state is constructed as well as how the signals called data are produced. When I speak of the shared ground I do not mean some a priori norms or values but the daily production and reproduction of what is to be shared. In my research I wanted to find the forces of stability, the varieties of tradition, in a community dedicated to innovation and discovery.16

Feminist studies of science have focused their attention on the relationship between the partial-yet-universalizing construction of science and the cultural identity of their producers, bridging the distinction between science as culture and culture beyond science by addressing science as one among many interlocking cultural formations. These links have allowed them to address the partial gendered nature of scientific epistemology and method construed as objective.17 One can appreciate the implications of addressing the partiality of scientific epistemology by way of Sandra Harding’s discussion of the distinction between the woman question in science and the science question in feminism. She characterizes those who address the woman question in science as working towards integrating the experience of women into universalizing discourses, practices and orders of knowledge whose partiality was not recognized. That is, the experience of women would be included to render science more complete, less partial. The science question in feminism

instead links together the (gendered) partiality of scientific epistemology with the partiality of other dominant cultural forms, thus viewing the reform of scientific epistemology and the constructed nature of objectivity within a much larger context:

...the epistemologies, metaphysics, ethics and politics of the dominant forms of science are androcentric and mutually supportive; that despite the deeply ingrained Western cultural belief in science's intrinsic progressiveness, science today serves primarily regressive social tendencies; and that the social structure of science, many of its applications and technologies, its modes of defining research problems and designing experiments, its ways of constructing and conferring meanings are not only sexist but also racist, classist and culturally coercive.  

The gendered nature of scientific epistemology is not seen by those who pursue the science question in feminism as the result of the local context of scientific production as autonomous and self-contained, but instead as part of a broader inquiry that transcends the boundaries of science. In this vein the constructed nature of scientific objectivity and the gendered nature of scientific epistemology are not to be explained by the social construction of the scientific process, but instead as evidence of the porous nature of science's cultural boundaries. Philosopher Joseph Rouse argues that the reification of the constructedness of scientific knowledge is the difference between the trend of social constructivism and what he terms the cultural studies of scientific knowledge:

My fourth theme from cultural studies, what I call the openness of scientific work, conflicts with a widespread sense of scientific communities as relatively self-enclosed, homogeneous and unengaged with other social groups of cultural practices. Even such an influential and informative precursor to cultural studies of science as Thomas Kuhn's *Structure of Scientific Revolutions* emphasizes the intellectual and normative autonomy and uniformity of scientific communities. The social constructivist tradition has often followed Kuhn in this respect, emphasizing

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either the social interests or the social interactions that constitute the shared beliefs, values and concerns of scientific communities. But cultural studies of scientific knowledge display a constant traffic across the boundaries that allegedly divide scientific communities (and the language and norms) from the rest of culture. Bruno Latour has provocatively expressed this sense of openness of scientific work in saying that scientific work itself effectively destabilizes any distinctions between what is inside and outside of science, or between what is scientific and what is social.\textsuperscript{19}

Rouse links these various conceptions of the scientific community with different ways that social constructivists and practitioners of cultural studies of scientific knowledge define
their intellectual project regarding scientific knowledge:

Social constructivism typically presents itself as an explanatory social science, which can (potentially) account fully for the epistemic outcomes of scientific practices. In this case, the vocabulary of social interaction (interests, negotiations, etc.) is supposed to hold the key to an adequate understanding of scientific work...The need to account for the phenomena in terms of a theory's explanatory concepts suppresses differences among the phenomena being explained, whether those differences are susceptible to alternative explanatory frameworks or not. For example, a social explanation of the content of a scientific practice is not well suited to consider the variety of ways such a practice may be appropriated and used; cultural studies of science may well be concerned with the plasticity of what constructivist studies take as an unproblematic explanandum.\textsuperscript{20}

\textsuperscript{20}\textit{Ibid.}, p. 9.
Practitioners of cultural studies of scientific knowledge do not situate their inquiry within the lines of the intellectual project of social constructivists, who try "to establish once and for all what is relevant to the determination of truth, whether it be reasons and evidence narrowly construed, or 'social factors'."\textsuperscript{21} Rouse argues that cultural studies of scientific knowledge as one of different forms of inquiry engaged in a dialogue concerning the construction of knowledge and meaning:

...cultural studies are located within ongoing conflicts over knowledge, power, identity, and possibilities for action. Whatever critical insight and effectiveness they may have must result from their responsiveness to the resonances and tensions among what I have called the alignments and counteralignments shaping an epistemic situation. An epistemic alignment is a dynamic and heterogeneous array of practices, objects, and communities or solidarities, which reinforce, appropriate, or extend one another, and thereby constitute knowledge. Cultural studies are reflexive attempts to strengthen, transform, or reconstitute existing alignments or counteralignments, by resituating them historically and geographically.\textsuperscript{22}

The concept of an epistemic situation has been very useful for me in defining my approach to the cultural construction of economic authority. My ethnographic study of economists was based upon the assumption that economics as a science is not objectively homogeneous across cultures but that its history and implementation is contingent upon the local site of production as well as upon its producers or implementors. However, this does not imply offering an ethnography of the culture of economists as an explanation of their cultural authority. I would agree with Rouse in that an ethnography of the culture of economists as a self-enclosed scientific community would reify the very autonomy accorded to science and scientists that I would be attempting to question. Furthermore,

\textsuperscript{21}ibid., p. 19.
\textsuperscript{22}ibid., p. 21.
given the constructed nature of the objectivity and neutrality accorded to economists, it would be counter-productive to link this authority to an alternative account of the production of economics as knowledge. Instead I will explore the authority accorded to economists in a fashion analogous to the ways that feminists approach the gendered nature of scientific knowledge: that is, by situating the practices of economists as members of a community of specialized knowledge within a broader epistemic situation which does not recognize the participating cultural formations (including the culture of economists) as bounded or discrete. I will focus on economists as one of many groups of social actors involved in "ongoing conflicts over knowledge, power, identity and possibilities for actions" and on the ways in which the views of economists are accepted as more authoritative (more real) than others. Here one can return to the rhetoric of economics, employing the notion of rhetoric not only as a means of addressing the way that economists communicate with each other (i.e., practice their science) but also the way that economists persuade others of the reality of their analyses and representations within a broader epistemic situation.

By this I do not mean to undermine the local nature of scientific knowledge, of economics. My conducting an ethnographic study among economists is founded on the presupposition that economic science is not universally objective across cultures and that its history and implementation are linked to the context in which it is produced as well as to its producers or implementors. Instead I am exploring the nature of the links between economics, economists and the authority accorded to them in the processes that shape the Slovenia's construction as a nation-state.

Furthermore, the very range of practices of economists as social scientists entails their exercising their expertise outside a controlled setting and their participation in the formation of the Slovene political economy. Economists themselves are not restricted to the roles of academic or theoretical practitioners but during Slovenia's transition were called upon to play roles in contexts that were not defined as pertaining to economics. What
allowed them to shift from their role of objective practitioners and how did they exercise their claim to objective expert authority?

The following chapters will outline a series of narratives that together do not attempt to provide neither a complete vision of the culture of economics and economists nor of the formation of Slovenia. Instead they will allow me to analyze the practices of economists as brokers of a specialized knowledge as they travel across the boundaries of their discipline, and to provide a narrative concerning the construction of economic authority.

Chapter one serves as an introduction to Slovenia's transition, which, according to both Western analysts and Slovene accounts, coincides with the beginning of Yugoslavia's disintegration after the death of Tito. Here I do not address the role that Slovenia's democratization played in the Yugoslavia's demise, but instead I present and analyze the narratives with which persons who played key roles in Slovenia's political liberalization defined the key events that led to Slovenia's first multi-party elections in April, 1990. The non-communist government formed by the DEMOS coalition voted into power later carried out the project of independence, which was realized a year later. I examine the range of what these social actors consider legitimate critical political practice and how these notions

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inform their narratives of political liberalization. I explore the overlaps and disjunctures between these two main discourses of political critique -- democratization and nationalism -- and trace the way that these distinctions and similarities inform the spectrum of socially possible identities in a pluralized political sphere.

In the second chapter I turn to the narratives of economists concerning the state of Yugoslavia in the 1980s within the context of Yugoslavia's postwar economic history, thus juxtaposing the accounts of economists with those of the previous chapter. I portray the difference between the criteria that politicians and economists employ to identify liberal periods, pointing out the way that economists' assessment of the decade of the 1980s as an economic crisis formed part of a narrative of the construction of economics as scientific knowledge as well as an autonomous sphere. I argue that economists' ability to define the 1980s as a crisis brought on by the inefficiency of political intervention in the economic sphere allowed for the advocacy of depoliticized economic reforms as a legitimate critique among economists.

The third chapter narrates a history of privatization, which, according to economists, set in motion Yugoslavia's economic transition and later became the cornerstone of Slovenia's economic and political independence. Instead of marking privatization as a break -- a moment of transition -- I examine the continuities between the critiques of social property during the 1980s, the initial Yugoslav privatization laws, and the debates concerning the issue of ownership and privatization in Slovenia. Here I track the way that Slovene economists dealt with the issue of social property from the 1980s onwards. Sketching out a range of economists' critiques of social property, I focus on a group of Slovene economists who developed the subfield of small business studies and the concept of socialist entrepreneurship as a means of revitalizing the management of social property, a revitalization requiring market reforms. I explore the links between these trends in economic thought and practice with the laws Yugoslavia passed in 1988 and 1989, pointing out the extent to which the issue of ownership of social property was elided in this
legislation. I outline the way these laws informed Slovenia’s privatization process, particularly the debate concerning the proposals presented by Jože Mencinger, the first Slovene Vice-President for Economic Affairs, and by Jeffrey Sachs, the globe-trotting Harvard trained economists and advocate of shock therapy reforms. In comparing the different criteria employed to define ownership in these proposals, I analyze the shift in the depoliticized strategy of economists as privatization takes on broader implications with Slovene independence.

In chapter four I explore the links between the emergence of the concept of socialist entrepreneurship and the entrepreneurial practices of economists themselves. To do so I situate the emergence of socialist entrepreneurship within the history of business as a discipline at the Economics Faculty of Ljubljana, a history that began in the 1960s engineered and funded by the state. I examine the narratives which interpret the way in which the state’s retreat from the business sphere in the late 1980s with the implementation of market reforms provided a space for economists to market their knowledge, become successful consultants and transform the Economics Faculty into the largest consulting institution in Slovenia. Furthermore, I analyze the extent to which narrating this successful transition naturalizes the identification of liberalization with market reforms and economic autonomy, thus effacing the state continuous state control over the economic sphere through the late 1980s despite the introduction of partial market reforms in the 1960s.

Chapter five picks up on the issue of the naturalization of the state’s control over the economic sphere by juxtaposing two different interpretations of the bankruptcy of one of Slovenia’s largest companies, Tam. Here I will compare the interpretation of Maks Tajnikar, the Minister of Economic Affairs responsible for the rehabilitation of Tam who had to resign amidst accusations of corruption, and that of Edo Ravnikar, critic of the transition and author of the theory of the udbomafija. Udbomafija refers to a clandestine, parallel economist system that was run by the state’s secret service agencies that financed itself through a control of business practices abroad. I analyze the way that Tam’s
economic decline which is defined officially as Tam's failure to adapt to market standards, is interpreted by Ravnikar as evidence of the continued operation of the udbomafija, particularly with the scandals identified with Tam's decline. Although considered as conspiratorial, irrational discourse, Ravnikar's theories point out the way that the official economic discourse of transition does not distinguish between clandestine state business practices and normal market practices, thus allowing for a space for the recycling of the former nomenklatura as experienced businessmen.

Chapter six employs the case of the reform of the SDK, or the Office for Social Accounting, as a means of exploring the ways in which the depoliticization of certain aspects of the transition are subverted. The SDK, a structurally socialist institution, was accorded the authority to review the legality of possibly wild privatizations, on the basis of which it elaborated an alternative set of criteria to define the legality of dubious business practices that before were not subject to regulation. It narrates how the reform of the SDK -- which would otherwise have been a simply technical procedure in the transition process -- became a site for the conflict between mutually exclusive discourses with differing claims to the legality of the transition, a conflict which was resolved only with the dismantling of the SDK itself.
CHAPTER ONE: POLITICAL LIBERALIZATION

Slovene history is a puzzle to the Englishman, who finds it hard to understand a struggle for liberty lasting over a thousand years in which scarcely a single incident of historical importance occurs. In fact, the most wonderful thing about the Slovenes is that they exist at all as a nation, after so many centuries of foreign rule. Lovett F. Edwards

Slovenia can claim the dubious honor of being one of the first countries not eagerly welcomed by the West when, in declaring its independence from Yugoslavia, it joined the nations making their leap of faith from the wrong side of the then disintegrating Iron Curtain. Preparations for independence were greeted with dismay and fear that Slovenia would disrupt the cold-war construct of geopolitical "stability" that Yugoslavia represented for the West. As such, Slovenia's democratization process was at first reduced to that of a burgeoning nationalism hitherto suppressed by decades of communist rule. Although Slovenia declared its independence on June 25, 1991, it was not recognized by the European Union until January 15, 1992, with the United States following their lead on April 7th of the same year. The fact that until 1991 Slovenia had no "history" of independent statehood rendered its actions even more illegitimate in the eyes of some. Slovenia's "nationalist ambitions" were thus interpreted by some as one of the main causes of Yugoslavia's disintegration and subsequent downward spiral into civil war.

While not presuming an inherently negative connotation ascribed to Slovene national movements, my aim in this chapter is to present and situate different liberalizing movements that emerged in Slovenia during the 1980s, including particular expressions of nationalism. In doing so I will present the narratives of numerous social actors who

contributed to the process of democratization that galvanized a process of reform culminating in multi-party elections, and little over a year later, in national independence.

Here then I will not address the interpretations of Slovenia’s liberalization in terms of their effects on Yugoslavia, but instead I will focus on the interpretations that Slovenes elaborate concerning the changes occurring in Slovenia. I do not presume that Slovenia’s independence can be understood simply by focusing on Slovenia’s internal events, particularly because they took place and were to a large extent defined by the greater context of Yugoslavia. Instead I present the ways in which the Yugoslav context is articulated by Slovenes themselves, how they situate themselves within it, espouse a Yugoslav agenda or imagine a Yugoslav future.

I will present a range of overlapping narratives that social actors employ to make sense of the decade of the 1980s: how they define political action, who they define as political actors, and how they define their political goals. In this fashion I will outline links between discourses of democratization, dissidence and nationalism that provide the framework for situating a range of socially possible political identities.

In the interests of coherence, I will frame discussions in the larger context of the histories of the two most influential publications during the 1980s which served as centers around which the majority of these individuals gathered: Nova Revija and Mladina. I will portray the history of Nova Revija from 1980 onwards, and that of Mladina from 1987 onwards.

NOVA REVIZJA

On June 10, 1980, 60 writers, poets, historians and sociologists signed an open letter outlining the need for a new literary journal in light of an emerging crisis in the world of literary and scholarly journals in the late 1970’s. The letter pointed to the paltry number
of existing journals which did not engage each other in dialogue, but instead remained within their own fields of expertise and practice. The writers argued that the number of journals available did not provide a sufficiently large forum for both young and old generations. The authors concluded the letter with a petition for the subsidy of a new journal to revitalize the realm of culture.⁴

This letter launched an often too lively public controversy concerning the state of culture which carried over to a tortuous, labyrinthine bureaucratic process that lasted for almost 2 years. The first issue of Nova Revija (New Review) came out in June of 1982. The chronology of documented public debate across newspaper and journal articles, meetings of the Socialistična Zveza Delovnega Ljudstva or SZDL (Socialist Alliance of Working People -- SAWP) and the committees of the National Assembly -- published at the end of its first two issues of Nova Revija -- would serve as an excellent road map for an ethnography of the politics of culture of Slovenia in the early 1980s.

The granting of the subsidy for Nova Revija was interpreted as a victory by those who fought for its establishment and who could be defined as part of the traditional dissident intelligentsia. Rudi Šeligo, one of the original members of Nova Revija, was one of the writers who contributed to the journal Perspektive (Perspectives). Perspektive, as Šeligo begins to outline here, belonged to a line of critical journals that were subsidized by the Party apparatus and then banned.

Rudi Šeligo: In 1964, the journal Perspektive was definitively suppressed, banned. With this a certain enthusiasm of spirit -- though I will not get into this now -- was blocked to a certain degree. It was partly the generation around Perspektive and the liberal thinking present at Problemi....yet only partially. It was not there in its totality because it was a line of thinking that required its very own journal.⁵

⁵Interview with Rudi Šeligo.
Šeligo identifies a genealogy of a particular sort of dissident intellectual practice through journals that began almost immediately after the end of the Second World War.\textsuperscript{6} These were intellectuals of the Party system who fought for reform from inside in Party system, distinct from the line of anti-communist intellectuals who at this time had virtually no access to the public sphere.

During the Second World War, the Communist Party of Slovenia established the Osvobodilna Fronta (OF), or Liberation Front, an organization that was to fight against the occupation of German and Italian forces in Slovenia.\textsuperscript{7} The liberal cultural intelligentsia also joined the OF. The OF was a heterogeneous organization which had joined the efforts of many to resist the occupying forces. However, the Communist Party of Slovenia soon appropriated the OF as the means to stage their social revolution, which included assassinating influential non-Communist Slovenes as early as the fall of 1941. This informal hegemony of the Communist Party over the OF was formalized in 1943, when the other organizations in the OF officially recognized the leading role of the Communist Party and renounced their own independent political identities in the OF.\textsuperscript{8}

With the end of the Second World War, the liberal intellectuals that belonged to the OF became party of the Party system. Many expected that the end of the war would bring

\textsuperscript{6}One of the articles which initially inspired my thoughts for this chapter was by Ali Žerdin, entitled "Revija Politike" -- Review of Politics. (\textit{Mladina}, no. 37, 1991. pp. 26-28.) The article includes a map of the journals published from 1957 onwards and of the trajectories of intellectuals and writers from one journal to another, through to their participation in different political parties in 1990 and 1991.

\textsuperscript{7}One of the telling facts which until lately has been written out of Slovene history is that the Communist Party of Slovenia -- loyal to Soviet Cominform's directives and to the Ribbentrop-Molotov agreement of 1939) first established the Protiv Imperialistične Fronte (PIF), or Anti-Imperialist Front in late April of 1941. Members were to fight against the English and French attacks against Nazi Germany after Hitler's attack on Poland, as well as against the possible "imperial" expansion to Yugoslavia. It is interesting to note that the PIF was established two weeks after most of Slovenia was under German occupation. The PIF was renamed OF only after Hitler attacked the Soviet Union on June 22nd, 1941, thus breaking the Ribbentrop-Molotov accord.

\textsuperscript{8}The Slovene OF became a member of \textit{Ljudska Fronta} (People's Front) established immediately after the Second World War in Belgrade. In 1953, the Ljudska Fronta was renamed \textit{Socialistična Zveza Delovnega Ljudstva} (Socialist Alliance of Working People -- SAWP) mentioned previously.
a restoration of a heterogeneous cultural life. Instead the Party forcefully centralized it by allowing the publication of only one journal, Novi Svet (New World), and Mladinska Revija (Youth Magazine) for the younger generation. After the Tito-Stalin break of 1948, this centralization was eased, and journals that were not dedicated to the official propaganda of socialist realist works were allowed to exist. However, one after the other were banned for overstepping the bounds of criticism drawn by the party: these included Beseda (Word) that lasted from 1951 to 1957 and Revija 57 (Review 57) that lasted only from 1957 to 1958. It was canceled, among other reasons, for the critical portrayal of the role of the Yugoslav army.9

Revija 57 defined the group which would in 1960 establish Perspektive, and included such intellectuals Rudi Šeligo, Joze Pučnik, Veljko Rus and others who can be traced through to Nova Revija. They began writing in Revija 57 as young college students and writers in their mid-twenties and represented the critical core of the younger generation. However, in 1958 the journal was canceled and one of its contributors, Jože Pučnik, was incarcerated on charges of hostile propaganda.

While Revija 57 worked within a more Marxist framework, Perspektive, which was established in the early 1960s, was influenced by the works of French existentialists, which were not forbidden in Yugoslavia as they were elsewhere in Eastern Europe and the former Soviet bloc. The era of Perspektive marked a creative period that developed into more explicit critiques of the political system and calls for reform. These critiques however brought about the cancellation of Perspektive and the subsequent sanctions on its participants: incarceration, loss of employment, etc. 10

It is interesting to note that the banning of Perspektive in 1964 coincided with the beginning of the economic liberalization that emerged in many of the Yugoslav republics and was led in Slovenia by Stane Kavčič. While the cancellation of Perspektive was a blow

9Information based in part on interviews with Dr. Marjan Dolgan, researcher at the Slovene Academy of Arts and Sciences and a specialist in the history of Slovene literature.
10Based on information from interview with Dr Marjan Dolgan.
to the younger generation cultural sphere, the actions on the part of the Party provoked an 
important reaction among the "cultural establishment." In 1958, when the members of 
Revija 57 were denounced and punished, they were also publicly attacked by the cultural 
and scholarly establishment. Six years later, the same core group as members of 
Perspektive was defended by the Writers' Association, which attempted to intercede on their 
behalf. This support pointed to a shift in the social position of the cultural producers during 
this period.11

As Rudi Šeligo recounted, many of the writers and intellectuals that had contributed 
to Perspektive joined the journal Problemi, which was characterized by different strategies 
of critique of the system, particularly those of parody and satire. While explicit sanctions 
were not carried out against the members of Problemi, the state would resort to censuring 
and to exerting pressure on the editors so as to influence the editorial practices of the 
journal. These tactics became common after 1971, when a historic intervention by Tito 
brought an end to the liberal era in Yugoslavia and heralded the beginning of the svinčena 
leta, or the leaden years. A conservative faction replaced Stane Kavčič, the economically 
liberal-minded leader, and purged the managerial levels of state companies as well as the 
faculties of universities.

By the end of the 1970's, the atmosphere at Problemi was such that a group of their 
colleagues -- many of them from Perspektive -- decided to petition for a new journal:

Grafenauer: This idea matured slowly over time....the fact that a group of 
intellectuals, including philosophers and writers as well as sociologists began to 
form...that there existed a gap in the constellation of journals, a grayness, a void that 
took this sort of shape: you had Sodobnost and Problemi which in turn had 
developed in different directions: one was the line of Močnik and Žižek, the 
Lacanian line, and the other was the essayist one, and then you had literature. In 

11Interview with Dr. Jože Pučnik.
generational problem began to emerge. Sodobnost was not interesting for us, and
Problem i had become thematically exclusive.  

Niko Grafenauer, poet and present editor-in-chief of Nova Revija, outlined a philosophy that drove the journal from its inception, guided its development and defined its role in the public sphere. Nova Revija’s characteristic understanding of the role of the intellectual is one of a number of positions prevalent among Slovenia’s intellectuals in the 1980’s.

Grafenauer defines this philosophy as Heideggerian to some degree: one that compels the writer, poet, or philosopher not to separate the literary, artistic, and intellectual spheres from the social one. This did not mean utilizing poetry, literature or philosophy as instruments for political or social ends; on the contrary, this meant safeguarding their autonomy while continually questioning the role of the artist or intellectual.

Grafenauer: The essential issue which we emphasized was that our position was based upon reflection and self-reflection, meaning the very status of the intellectual was to be continually questioned, maintained in crisis so that he would remain open. So as not to become ideologized, and so on. Yet reflection, if it is real reflection, should not stop when confronted with taboos. And here of course we came up against a whole series of problems that were taboo until then. Given the logic of the position of the intellectual -- if it is to be this way -- then certain things had to happen, such as questioning the revolution, and in turn the role of the NOB as well.

The editors of Nova Revija would publish the works of artists and intellectuals who were deemed politically suspicious in their home republics and who were refused access to public media. These artists and intellectuals were from all over Yugoslavia, including

12Interview with Niko Grafenauer.
13NOB is the Narodna Osvobodilna Borba, or the National Liberation Struggle, or the war waged by the OF to liberate Slovenia from the occupying forces during the Second World War. The NOB still remains to a large extent mythologized, now more than in the 80’s.
14Interview with Niko Grafenauer.
writers from Serbia such as Mihailo Marković and Dobrica Ćosić, who would later form part of the leading Serbian nationalist intellectuals; Vlado Gotovac, who continues to play an important role in Croatian politics; and Alija Izetbegović, who was one of the seven Bosnian intellectuals arrested in Sarajevo in 1981. While the works of these intellectuals embodied a range of political positions, *Nova Revija* tried to maintain a space that would be open to all:

Grafenauer: When we were finally authorized to publish the first issue in the spring of 1982, we immediately had problems. In that first issue I published translations of the works of Gojko Djoga, a Serbian poet who was accused of slandering Tito and the Party in his poems, and was jailed. They went to check to see if these "incriminating" poems were included among those we translated. We had to wait a few days and then finally everything worked out. And that was the beginning of *Nova Revija*.15

*Nova Revija* strove to be a voice for all Yugoslav intellectuals and was actually sold outside of Slovenia despite the fact that the journal was published only in Slovene. Yet another of *Nova Revija* 's roles was to provide such an open space for all Slovene intellectuals. Given the heterogeneity of the contributors to the journal and the policy of open dialogue, a number of intellectual projects and approaches appeared in its pages, the broadest of which was a critique of the Party system's operating ideology.

Rus: The concept was clear: a critique of the existing ideology. Not negation, because negation is too simple, this entails political confrontation...Mainly this meant questioning the existing ideology in its totality, for otherwise it is impossible to break the Party's monopoly. You cannot begin with political struggle for power; there are no such possibilities in a totalitarian system...It is possible instead to begin to question Marxism with scientific, or, say philosophical arguments. I would say that the first phase of this process carried out in *Nova Revija* was to separate

15Interview with Niko Grafenauer.
Marxism from Leninism. And secondly, Marxism from Marx. In the third phase, and this was in the late 1980s Marxism itself was directly questioned.16

Dr. Veljko Rus was one of the initial contributors to Revija 57 and then Perspektive, who then lost his job as professor of sociology at what is now the Faculty of Social Sciences during the university purges of the 1970s. He and others who were purged from the Faculty were permitted to establish a research institute -- the Institute for Social Sciences -- where one later finds contributors to Mladina. Rus here articulates a distinct shift in the practice of dissidence after the purges of the 70's, at which time the practice of "resistance" becomes more oblique, with some taking this position to a logical extreme and arguing the untenability of a dissident position. We will return to this discussion among the circles around Mladina.

The line of traditionally dissident intellectuals around Nova Revija were also joined by a slightly younger group of liberal Communists. Spomenka Hribar, her husband, philosopher Tine Hribar, and Dimitrij Rupel formed this core group of liberal Communists. They were committed to a questioning of the operations of the Party to develop a more democratic, socialist society. Spomenka Hribar by far played the most polemical role in her crusade for sprava, or national reconciliation.

As I mentioned briefly earlier, the period of the OF during the Second World War had been used by the Slovene Communist Party to stage its social revolution which amounted to declaring a civil war against anti-communist, mostly Catholic groups. This escalated during the Second World War, culminating with the massacre of over 10,000 unarmed anti-communist troops17 returned to Tito from the British zone in Austria after the

16 Interview with Veljko Rus.
17 These included the Domobranci, or Home Guard that was a military organization established in 1943 to fight against the aggressions of the OF on the civilian population. The unarmed troops sent back by the British also included several thousand Serbian chetniks and around 18,000 Croatian Ustashi troops and regular army officers.
end of the war, in late May of 1945. Although these massacres were written about in the West by emigre populations, they were unknown to the wider Slovene public until Edvard Kocbek, one of the leading Christian Socialists who joined the OF, spoke publicly about them in an interview published in Trieste, Italy, by emigre Slovenes in 1975. Kocbek was of course attacked by the Party and the media for this, and it was not until these events were written about by liberal Communists that they were actually discussed openly.

In 1984, Spomenka Hribar was the first Slovene (communist) in Slovenia to write publicly about these massacres in her essay Krivda in Greh (Guilt and Sin). In it she argued for the need for the Party to recognize these atrocities and take responsibility for them as an essential step towards urgently needed national reconciliation. She wrote extensively about these issues in Nova Revija, conducting interviews with individuals tied to this history, particularly present-day Christian socialists and individuals who had been victims of inter-war and post-war violence. Her work was complemented by that of others, and together this developed into a critique of the official history and mythology surrounding the OF, yet focusing mostly upon the liberation struggle waged by the heroic OF forces in resisting the Axis powers in Yugoslavia. Yugoslav Partisans (and as such, Yugoslav communists) are depicted as collaborators of the Allies, as liberators of their land and as (moral) victors of the Second World War.

The public critique of the moral discourse of the official ruling ideology was one of the key achievements of the contributors to Nova Revija because it allowed, at least in the space of Nova Revija, a democratization of access to the public sphere as well as the beginning of a pluralization of histories. A public dialogue was established in one of Slovenia's foremost journals among what used to be mutually exclusive intellectual groups.

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18 For more information of the systematic (and illegal) return of refugees across Eastern Europe and the former USSR by British forces, please see Nikolai Tolstoy, The Minister and the Massacres. Century Hutchinson:London, 1986.
19 Spomenka Hribar was expelled from the Communist Party for her essay after refusing to resign on her own.
The partiality of many of the accounts of resistance under the Communist regime and the debates concerning the possibility of dissent are evidence of the successful marginalization of anti-communists from what the majority of Slovenes would recognize as cultural or political life. While Edvard Kocbek was well known as a Christian Socialist and in his officially lauded role in the OF, his fame was due more to his being a problematic and ambiguous figure and gifted writer who joined the ranks of dissidents in the 1960s. However, other Christian Socialists who claimed to continue in the line of Kocbek have been written out of accounts of dissent as virtually "unknown." Attempts to re-establish a dialogue between Marxism and Christian humanism in such journals as Prostor in Čas (Place and Time), Znamenje (Sign), Revija 2000 (Review 2000), were utterly marginalized. These journals were allowed to exist, but barely; meager and sporadic state funds kept the journals on the verge of bankruptcy. Journals published by prolific emigre anti-Communist populations in Klagenfurt, Austria (Celovški Zvon -- Klagenfurt Bell) and Trieste, Italy (Zaliv -- Bay) were explicitly critical of the Communist regime.\textsuperscript{20} Mainstream Catholic journals within Slovenia dealt mainly with questions of theology or Church teaching, seldom venturing outside this realm to explore broader social questions. For most, the role of the Catholics, particularly of the Catholic Church, suddenly became "visible" in 1985, when the Komisija za Pravičnost in Mir (Commission for Justice and Peace), a commission representing the Catholic Church, began to make critical public statements about the state of human rights in Yugoslavia.

Drago Jančar, a writer and playwright who has been a collaborator at Nova Revija from its inception, described the atmosphere at Nova Revija in the mid-80's in this fashion:

Jančar: An interesting series of people published in Nova Revija, so that it was a strange mixture -- from dissatisfied Party members to Christians, theologians -- all together. We slowly began to form some sort of resistance. At the same time this

\textsuperscript{20}Prolific emigre communities also exist in Argentina, the United States, and Australia.
resistance was emerging elsewhere, including the youth movements, around punk and rock groups; and at the new weekly *Mladina* something began to take shape. But it was most clearly articulated in *Nova Revija* at that time.21

While one can appreciate the extent to which *Nova Revija*'s work undermined official ideology, the "subversiveness" of this intellectual work is brought into sharper focus when it is situated among the events occurring in other republics throughout Yugoslavia, particularly in Serbia. Ever since the death of Edvard Kardelj in 1979 and the death of Tito a year later, the very framework of Yugoslavia began to be questioned. Edvard Kardelj, a Slovene, was one of the last Party officials that had managed to weather the cycles of Tito's favor until the very end. He also was the architect of the 1974 constitution, which legalized the looser federation that existed until Yugoslavia's disintegration. The 1974 constitution was the resolution of many debates -- which often divided the state along republican lines -- as to whether Yugoslavia should be a federation or a more centralized state. The constitution gave the republics a great deal of autonomy (although it never addressed the question of the primacy and centralized power of Tito and the Party). Furthermore, and relevant to the period after Tito's death, it had granted Kosovo and Vojvodina the status of autonomous provinces.

The issue of the status of Kosovo had been problematic for at least 20 years, particularly because of the relationship between the Serbs and the Kosovo Albanians, whose historical narratives of nationalism had clashed over this territory since before the formation of the first Yugoslavia. For historical reasons (particularly the legacy of a medieval Serb minority who ruled from Kosovo), Serbs felt proprietarily expansive toward the province; the Albanians, who by 1968 had become the overwhelming majority in Kosovo and had begun to demand their rights, received the status of autonomous province within the republic of Serbia in 1974. The Albanians' struggle for their rights within Yugoslavia became part of the political debate on centralism versus federalism, with the

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21Interview with Drago Jančar.
Serbs arguing for centralism, and the Albanians, as well as the Croats and the Slovenes, advocating a more federal state.

When Albanian students began to demonstrate in 1981, they sparked a month-long series of province-wide demonstrations demanding that Kosovo become a republic on equal footing with the other republics within Yugoslavia. Tito had been dead for almost a year, and a six-member Presidency ruled in his place. The decision taken to impose martial law to deal with "counter-revolutionaries" in Albania (according to the 1974 constitution national minorities could not have their own republics) heralded a new chapter in the debate on federalism versus centralism, as well as the clash between Albanian and Serbian nationalisms. While martial law was lifted after two months, the "policing" continued throughout the decade. Between 1981 and 1985, over 3,300 Albanians were jailed for "nationalistic offenses." 22

Many Slovenes recount that the Serbian reaction to events in Kosovo signaled the beginning of a shift toward a policy of centralism in Yugoslavia as well as an authoritarian centralism within Serbia itself, which included the sanctioning of critical intellectuals. In April of 1984, twenty-six Belgrade intellectuals were arrested and six were tried for counter-revolutionary hostile propaganda. This shift also included attempts at a re-centralization of education. Serbia’s proposal was to unify the country by turning over school curricula to the Federation, arguing for a proportional representation of Yugoslav history and language, meaning that the amount of material allotted to each republic be designated by the proportion of population in Yugoslavia. Slovenes, who amounted to a little under two million and who represented little more than ten percent of Yugoslavia’s population, interpreted the imposition of skupna jedra, or a common core program, as an attempt to serbianize Slovenia, and this changed the shape of the liberalization movements in Slovenia.

Šeligo: 1984 was extraordinarily important in the development of the role of the Writer's Association. 1984 was the year that the federal Yugoslav powers were preparing the common core educational programs (*skupna izobraževalna jedra*). This meant that the educational programs would be the same all over Yugoslavia, and that individual national schools would provide only a small proportion of those programs which would be provincial. The association was rudely awakened, and, before I became president, the association established a commission, which was called, I don't remember the exact name off hand, for the protection of life. This commission of course not only safeguarded democratic rights in Slovenia but of writers all over Yugoslavia.23

The common core program was compounded by growing nationalist sentiment among an influential circle of Serbian intellectuals. In 1986 a number of key Serbian intellectuals, members of the Serbian Academy of Sciences, wrote a memorandum that was leaked to the press, and which they later publicly defended. The memorandum decried the economic, political, and cultural suffering of the Serb nation, particularly after the 1974 constitution, which was advocated by an "anti-Serb coalition" of Slovenes and Croats and which separated Kosovo from Serbia. Many of the intellectuals who wrote this document were to hold key positions in Slobodan Milošević's government in the following years:

No other Yugoslav nation has been so rudely denied its cultural and spiritual integrity as the Serbian people. No literary and artistic heritage has been so routed, pillaged and plundered as the Serbian one. The political maxims of the ruling ideology are being imposed on Serbian culture as more valuable and stronger than scientific and historic ones. While Slovenian, Croatian, Macedonian, and Montenegrin culture and literature are today being integrated, Serbian culture and literature alone are being systematically disintegrated. It is ideologically legitimate and in the spirit of self-management to freely divide and disperse the Serbian

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23Interview with Rudi Šeligo.
literary heritage and attribute it to authors from Vojvodina, Montenegro, or Bosnia and Hercegovina. Serbia's best authors and most significant literary works are being torn from the Serbian literary canon so that new regional literatures can be artificially established. The Serbian people have a historic and democratic right to establish fully national and cultural integrity independently, regardless of the republic or province in which they live.24

The rising nationalist sentiment in Serbia reconfigured the relationships among Yugoslav intellectuals from different republics. This shift also affected the contributors to Nova Revija, who began to deliberate upon Slovenia's place in present-day Yugoslavia, particularly in light of possible Yugoslav recentralization. The result of these deliberations was Nova Revija's famous issue number 57, which outlines contributions to a Slovene national program.

Grafenauer: This all happened in the shadow of what was going on in Belgrade. From issue to issue we reflected upon the situation in Yugoslavia and of Slovenia within this larger context. We critically examined the situation, and slowly realized that the crisis was deepening, not only the economic crisis but the cultural one, if we looked mainly at these aspects...And in this framework it became clear that the Serbs were trying to establish their domination in Yugoslavia with these constitutional amendments because they were not able to do this under Kardelj's constitution. And that is why the Serbs, as soon as Milošević came to power, abolished the autonomous province state of Kosovo and Vojvodina, and so on...in short, in light of these events, we had to rethink our own situation in Yugoslavia. The idea to write the pieces that would contribute to a national program emerged from this: that from different points of view we try to detect our national interests

and options, and figure out what our position is in relation above all to the Balkans.
to Yugoslavia and all that was going on in this country.25

In recounting the practices and writings of the contributors to *Nova Revija*, it is hard
to portray the repercussions (if any) of their discussions beyond the intellectual circles and
histories that I have been outlining here, repercussions that occur beyond the logic of texts.
Why is it worth focusing on the narratives of intellectuals, even if they are dissidents? The
reactions within and without Slovenia to the publication of issue number 57 point to the
impact that these publications had on the political situation within Slovenia and Yugoslavia,
and that the practices of intellectuals (including those of the Serbian Academy of Sciences
mentioned above) had on the formation of political and cultural discussions in and about
Yugoslavia.

That intellectuals should write about questions of nation and nationhood was not a
novelty in Slovenia. In the introduction to issue 57, the editors pointed out that they are
participating in a discussion presently occurring in Slovenia: they saw themselves as
continuing a discussion embarked upon in a special issue of *Problemi* in 1970.

In accordance with this new view, which leaves aside the search for those to blame
for Slovene troubles and shifts the focus of discussion onto the question as to what
Slovenes imagine for themselves, it is impossible to define these views as
"nationalistic" in the conventional sense of the term as we know it from the
nineteenth century. Here we are dealing with autonomous thinking, which does not
lead -- in any case -- to either social aggression or self-pity. In other words, our
contributions are separate from revisionist attempts that propose new constitutional
solutions, changes in legal status, etc.26

25Interview with Niko Grafenauer.
Issue 57, published in February of 1987, brought together sixteen articles about Slovenia's position within Yugoslavia at that time. What is striking about this collection is its heterogeneity in terms of what Slovene nationhood is presumed to mean, and how Slovenia's position is defined in relation to Yugoslavia. The topics ranged from the disturbing issue of the high suicide rates among Slovenes to the role of the Yugoslav National Army, from the question of Slovenes in exile to the legal status of Slovenia as a nation. In many ways the issue accurately represents the diverse mixture of groups that constituted Novo Revija in dialogue on the issue of Slovenia's identity. However, public reaction did not focus on the diversity of positions but focused mainly on those articles that argued that the legitimate basis of nationhood and democracy lay outside socialism, and that drew an important distinction between nationalism and democracy on the one hand and self-managed socialism on the other.

The reaction to the issue was astounding. Half the evening's news was dedicated to the issue when it first came out, and the President of the Socialist Alliance of the Working People held a press conference which in effect inaugurated a well-directed public relations offensive against the issue, its writers, and Novo Revija. The campaign was often too thorough, for, despite the fact that the issue was published in only 3500 copies, virtually every political, economic and managerial organization, from the local collective to national associations held a debate on the issue and made a public statement "spontaneously" rejecting the issue's arguments.27

The tone of the reactions at the level of the Party establishment was very similar to that of the statement made by Jože Smole28 at the first press conference:

In its recently published 57th issue, Novo Revija presents contributions to a national program in a manner such that individual writers in different places reject or

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28 Jože Smole spoke in the capacity of the President of the SAWP -- Socialist Alliance for Working People -- at the time he made this statement
question the legitimacy of the national liberation struggle and the social order that
emerged from it, its institutions and its leaders, and portray the position and role of
the Slovene nation in socialist self-management and federal Yugoslavia in an
historically inaccurate and highly tendentious manner.29

The federal government and media also criticized the issue, focusing on its
threatening "nationalistic" overtones. While the federal prosecutor drew up warrants for the
arrest of three of the authors (including veteran Jože Pučnik), the Slovene party did not take
any legal action against the writers of Nova Revija. In a public statement, the Presidency of
the Central Committee of the Communist Party of Slovenia declared that it would not
impose legal sanctions on the writers of Nova Revija, despite the fact that the subject
material was such that it warranted a response. Instead, as evidence of its own democratic
leanings, the committee would limit its reaction to dialogue with Nova Revija which seemed
more in line with the "spontaneous popular" reaction to the initial publication of the issue.

For this reason it does not call for a pogrom against the journal. People will know
the difference between right and wrong without it, for they have their own historical
experience and, in the hardships to better their own lives, have learned to sift the
wheat from the chaff. Yet the Communist Party of Slovenia will, in all its deeds
and together with all socialist forces, do everything so that the positions of certain
writers of "the contributions to a national program," as well as other similar
positions that are not in accordance with the programmatic principles of the SAWP,
will not be realized in social practice.30

40, p. 38.
30Press release of the Presidency of the Central Committee of the Communist Party of
The popularity of the issue and the liberal (particularly in relation to other republics) reaction of the Party is interpreted by those around Nova Revija in many different ways. First, when discussions about national democracy outside socialism did not provoke explicit repression, many considered it evidence that the Party had opened up a space for discussion. Second, issue 57 represented a political position which identified those who contributed to Nova Revija.

Events began to accelerate after the publication of issue 57. On the basis of arguments set forth in the issue, a working group of writers, lawyers and sociologists, under the aegis of the Writers' Association, put together a draft of a constitution for Slovenia, entitled Pisateljska Ustava, or Writers' Constitution. When this constitution was published in April of 1987, on the heels of issue 57, it became an explicit statement about the sort of society that the groups around Nova Revija and the Writers' Association were demanding:

Šeligo: I think that there were two acts that were decisive for the transition. They were, of course, issue 57 of Nova Revija, and the constitution published a few months later, a booklet entitled "Material for the Slovene Constitution," and it was a constitution broken down in articles...If issue number 57 introduced and defined a broad national Slovene interest in democratization, a plural society AND a nation-state, this was translated into constitutional articles in the Writers' Constitution.31

However, the Writers' Constitution did not outline the kind of social order that all Slovenes working towards democratization would have agreed with. In an article for New Left Review, Miha Kovač, one of Mladina's journalists, gave his appraisal of the Writers' Constitution, in which he identifies the overlaps and differences among the positions of those who wrote for Nova Revija or for Mladina.

31Interview with Rudi Šeligo.
A couple of months ago the Slovene writers, together with some sociologists, drafted their own proposal for a new Slovene constitution. As far as I know, this text is a kind of copy of the Bavarian constitution, and its central emphasis on the notion of human rights is in my view absolutely correct. But it also has a preamble which describes this constitution as establishing a distinct Slovene state, which must have its own national army, relying on a specifically Slovene military tradition and on the peasant uprisings of the sixteenth century. Its authors put in things as well about the sanctity of life and the family. Furthermore, Yugoslavia is not mentioned at all -- they do not care much for it! Nor do they refer to socialism on the grounds that it would mean inserting ideology into the constitution. As if omitting it were not also an ideological convention! They have produced, in other words, a very murky ideological document, and the trouble is that, if you buy the constitution, you also buy the ideological framework. In fact, they are just copying a West European constitution based on bourgeois ideology, so their 'anti-ideological stance' cannot be taken seriously.  

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**MLADINA**

By 1987, *Mladina* was almost at the height of its influence. It had a formidable group of journalists and editorial columnists who contributed to the weekly. It printed almost 80,000 copies a week, a considerable number given Slovenia's population of little over 1.7 million inhabitants. *Mladina* was first established during the Second World War as a publication of the League of Communist Youth of Yugoslavia, becoming later the publication of the *Zveza Socialistične Mladine Slovenije* (Association of Socialist Youth of Slovenia).

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Slovenia). During the 1980s Mladina slowly became a more mainstream weekly that appealed to a very broad audience as well as a gathering point of a younger generation of intellectuals and activists involved in alternative or new social movements.

To understand the configuration of different circles around Mladina, one must trace them back to the late 1960s and early 1970s. After the banning of Perspektive in 1964, other liberalizing political movements emerged, most strongly (in Slovenia) among students. Liberal movements swept through many of the Yugoslav republics in the 1960s. Among the most notable were the movement in Croatia, the national overtones of which became one of the main reasons for Tito's intervention in 1971 which brought a resurgence of hardline regimes in all the republics.

To understand what is happening in Slovenia today, we have to go back to the 1970s and the crucial events of the decade: the defeat of the student movement and the purge of the so-called liberal party leaders....Some of the intellectuals who had been involved in the student movement gave up politics, locked themselves in their rooms and started to read books. Hence, the 1970s in Slovenia present a somewhat paradoxical picture: on the one hand a total depoliticization of study, and on the other, a widespread involvement in study. Two dominant ideological currents emerged: the so-called structuralists, influenced by Jacques Lacan, Louis Althusser, Michel Foucault, etc., who produced the journal Problemi, and a group interested in political economy, gathered around the journal Časopis za Kritiko Znanosti, which was Marxist oriented.33

Kovač here begins to explain what happened to those involved in Slovene liberal movements of the late 1960s and what their reactions were to the imposition of the svinčena leta. Unlike in the case of Croatia, the student movements which Kovač mentions did not have a Slovene national agenda. Instead Kovač describes them as a younger generation of students and intellectuals distinct from the older generation and who were affected by their

33Ibid., p. 114-115.
political defeat in a different manner. The intervention on the part of the regime through university purges brought about its depoliticization, a situation which Kovač links to the emergence of various strains of depoliticized intellectual practice. One of these groups -- the one influenced by Lacan and which included Slavoj Žižek and Rastko Močnik -- constituted the strong line of thinking at the journal Problemi. Another group at Problemi comprised the former contributors to Perspektive, who later formed Nova Revija. Thus in 1980, different groups which worked alongside at the same journals in the 1970s became more explicitly differentiated. (I want to add there that I do not mean that the groups were thereby mutually exclusive.)

The second group that Kovač mentioned -- those who gathered around Časopis za Kritiko Znanosti (ČEZ) -- were neo-Marxists who focused mainly on issues of political economy. Many of those who wrote for ČEZ in the 1980s had studied at the Faculty for Social Sciences during the 1970s, after the purges of "liberal" communists had been implemented, and as such were trained within a framework of orthodox Marxism. In short, the circles around Mladina included Marxists of all degrees.

It is interesting to note that while all the groups that I have been mentioning thus far defined the sixties as more liberal, they define "liberal" differently and base their views upon different sets of relevant events. The distinct narratives of liberalization employed by different groups of intellectuals, activists, students, as well as economists -- to whom I shall turn in the following chapter -- seem to be connected to distinct notions of legitimate intellectual practice:

Three imperatives then emerged from this work, shaping the thinking of a whole new generation. If you wanted to change socialism, you should (1) not act as a dissident, (2) not act as a nationalist, (3) critically examine the claims made about the scientific status of the socialist bureaucracy's theory and practice. These young intellectuals, in other words, could not identify with any mainstream ideology in Slovene political life: neither with the Party, which was very rigid, nor with the
traditional intellectuals associated with the journal *Nova Revija*, who see themselves as defenders of the Slovene nation and its cultural heritage.\textsuperscript{34}

Instead of defining the beginning of the liberalization movement with the work of a circle of activists or intellectuals around a journal -- which would contradict the very notions of intellectual work outlined above -- Kovač characterizes this new generation by its interaction with alternative or new social movements at the grassroots level. Tomaž Mastnak, one of the main advocates of the new social movements, argues that the fortification of these movements spurred the formation of a civil society which was to be an alternative, not an opposition, to the sphere of state socialism.

"Civil society" is the concept that summarizes democratization -- or the transformation from totalitarianism to democracy -- in Slovenia, as elsewhere in socialist Europe. And as elsewhere, the concept implies a normative political philosophy, as well as describes and helps us to analyze and understand a wide range of democratic struggles. The distinctive feature of the transformation to democracy in Slovenia, however, is that it was initiated by the new social movements (NSM) and that it is they -- and not the dissident intellectuals, or reform communists, or the aging New Left elite -- who played the crucial role in the formative period of civil society. The network they formed called itself the "Alternative Scene," or simply the "Alternative."\textsuperscript{35}

According to Mastnak, the term civil society refers to actors of new social movements. The first new social movement was a punk subculture that first emerged in 1977 and whose activity continually met with police repression. In the early 1980s, these depoliticized intellectuals rallied to the defense of punk subculture which they defined as victims of the state.

\textsuperscript{34}Ibid., p. 115.
In 1980 or 1981, four youngsters were arrested and accused of forming a fascist political organization. What had happened was that, like their contemporaries elsewhere in Europe, they had taken to wearing Nazi insignia. They, of course, had nothing to do with fascism. This produced a sudden politicization of the youth media, especially of Radio Študent, and the intellectual current described above started to articulate its positions through defending these youngsters. At this time too, some of its most prominent members...were elected to leading positions in the Slovene Socialist Youth Alliance, and very quickly started to transform this organization.36

Mastnak also defines the state repression of the punk subculture in Slovenia as the issue around which "the ideological and political divisions carefully cultivated by the authorities to split the critical intelligentsia and fragment society were bridged over."37 Sidestepping the intriguing reference to the role of the state in fostering the development of a depoliticized intelligentsia, I want to call attention to the way in which both narrators define the moment of the public defense of the punk subculture as the origin of an effective mobilization of different groups and of individuals. According to Mastnak, this mobilization expanded into "a democratic front...which condemned the 'anti-youth chauvinism' of the authorities in particular and the use of violence to solve social problems in general."38 The strong reactions on the part of these now mobilized groups was met with a state decision to engage in dialogue with them through the official socialist youth organization -- Zveza Socialistične Mladine Slovenije, or ZSMS -- which happened also to be the organization sponsoring the weekly Mladina.

In the following years, a number of different social movements emerged; most often mentioned are the pacifists, environmentalists, feminists, and gay rights activists. Though they were relatively small in size, they were very outspoken, often comprising young

37Tomaž Mastnak, op. cit., p. 306.
38Ibid.
intellectuals who after completing their studies were not deemed appropriate for positions at the university. Participation of these groups began to transform the ZSMS, and this "pluralization" coincided with a shift within Mladina itself. Ali Žerdin, one of Mladina's senior journalists, described these changes as originating with the innovative practices of Mladina's editors-in-chief.

Žerdin: In the early 1980s, after Tito's death and after the eruption of discontent in Kosovo, an interesting environment began to emerge around Mladina. Mile Šetinc, the son of Franc Šetinc, became the editor-in-chief. Franc Šetinc was at that time an important Party official, and the unusual relationship between father and son influenced the fact that at that moment in the early 1980s Mladina had some extra breathing room. [chuckle] A certain part of the political system was convinced that Mladina's back was politically covered, and made fewer interventions, and Mile Šetinc was pretty stubborn, and did not let himself be pushed around. While he was not at Mladina very long, he was able to fight for a space for Mladina, and enabled the magazine to become more influential. He always invited more people to write for Mladina, and if this was previously a paper of the youth organization, it was slowly becoming a normal weekly, a political weekly which reacted to, more or less, certain issues.

Žerdin's depiction of a shift at Mladina is also an improvisation on the theme of mobilization, but here intellectuals, activists, politicians, and a certain strain of journalists were publishing in the official gazette of the Party's youth organization. The very status of

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39 In reading about and talking to people about the rise of the new social movements, I found it quite difficult to ascertain who were members of these movements and what sorts of movements they were. Most narratives speak of a few key individuals who personified different movements, and as such I do not know whether these were mass movements or a network of a small number of individuals, or somewhere in between. Mastnak, for example, constantly tacks between speaking about new social movements as being the grassroots catalyst of an alternative civil society and as being an intellectual project.

40 Interview with Ali Žerdin.
the weekly -- compared to that of Nova Revija, which was also subsidized by the Party apparatus, but did not have the official backing that Mladina did -- played a strong role in its legitimacy and effectiveness as a medium. The tone of Mladina became more and more provocative, supporting and publishing the views of alternative groups that were barely recognized by the official establishment apparatus. This "pluralization" within Mladina was symptomatic of the shift in the role of the ZSMS within the party system itself, which was explicitly carried out at the ZSMS congress in 1986. ZSMS declared itself to be an organization outside the state apparatus but within civil society, placing itself on a par with alternative movements. This was considered by some to be a major step towards the democratization of the public sphere within Slovenia, despite the fact others still considered ZSMS an official state organization. The ZSMS still acted as a political organization of the Slovene Communist Party and its representatives were delegates in the Yugoslav Federal Assembly. The decisions taken at the ZSMS congress also exerted a fair amount of pressure on the Slovene Party establishment, who that year elected Milan Kučan, a member of the younger generation of the League of Communists, to be its head.

The end of the political monolith, the loss of youth from official politics and the relatively strong and clearly articulated civil society compelled the Party and its replicants to take steps towards reforms. On the one hand, the Party gradually got rid of the 'old guard, and cautiously started its process of transformation to a social democratic party. On the other hand, the Socialist Alliance of Working People, a 'crypto' communist popular front organization, tried to integrate social groupings, offering them legitimacy if they agreed to work under its umbrella.\textsuperscript{41}

On another level, the plan outlined by the ZSMS also dealt with a number of issues at the federal level, including the issue of free speech and the abolition of the dreaded article 138 of the Yugoslav penal code, which defined which "verbal delicts" punishable by law.

\textsuperscript{41}Mastnak, \textit{op.cit.}, p. 310.
*Mladina* had begun a campaign against this article in 1984, and its abolition also became part of the ZSMS' new program.

It was during these years, most notably from 1986 onwards, that *Mladina* became one of the more provocative weeklies throughout Yugoslavia. *Mladina*’s circulation tripled between 1984 and 1987. The different actors who wrote columns in *Mladina* dealt with issues that were sensitive in Slovenia but were virtually taboo in the rest of Yugoslavia, and most particularly in Serbia, where the shift towards authoritarianism was well underway. In the context of the military occupation of Kosovo and the centralist tendencies of the Yugoslav National Army, *Mladina* made the army one of its main targets, writing about its violation of human rights and its autocratic structures of power. *Mladina* provided a forum for debates concerning civilian forms of military service as well as the reforming of the *štafeta mladosti*, or youth relay race held in honor of Tito. As one of the main mediums that broached and dared to ridicule Tito’s personality cult, *Mladina*’s journalists defended those who questioned the continuation of the baton relay race run all over Yugoslavia and ending at Tito’s hometown, with the last relay runner presenting the baton to Tito on his birthday.42

Slavoj Žižek, who was a constant contributor to *Problemi* and also wrote commentaries in *Mladina*, in retrospect described those years in these terms:

To put it in a rude way, those who triggered the process of democratization and fought its heaviest battles are not those who today enjoy its rewards...Once the process of democratization had reached its peak, it buried its detonators. Who effectively triggered this process? New social movements, punk, the New Left. After the victory of democracy, all these impulses suddenly and enigmatically lost ground and more or less disappeared from the scene...What we had was a true

"primitive accumulation" of democracy, a chaotic array of punkers, students with their sit-ins, committees for human rights, etc., which literally became invisible the moment the new system established itself and therewith its own myth of origins.\(^{43}\)

I will return later to Žižek's comments about those whom he refers to as the "vanishing mediators," citing Fredric Jameson's use of the term. This is a very important issue, for almost all the narratives about this time end with an analogous sort of claim, pointing to the partiality of many of these narratives. This in turn also confirms the relevance of looking at the ways these processes are interpreted by different persons. Returning to Žižek's description of primitive accumulation of democracy, it is interesting to note that Zizek identifies the catalysts of democratization in the same manner as do other contributors to Mladina. What sort of processes did these actors set in motion? When and how were these processes "subverted"?

THE ERA OF THE COMMITTEE FOR THE DEFENSE OF HUMAN RIGHTS

1988 became a crucial year for all the actors involved in democratization processes in Slovenia, as their actions brought them into a confrontation with the federal government. In the case of Mladina, where censors would regularly confiscate issues while they were being printed, it did not take very long for the weekly to come under fire. The first problematic issue was published on February 12th, 1988, which contained protests against Yugoslav Defense Minister Branko Mamula's visit to Ethiopia, at a time that Ethiopia was fighting a civil war and when Yugoslavia's foreign trade was becoming more dependent upon the sale of arms to other nonaligned countries.\(^{44}\) Mladina ran a series of articles concerning the privileges Branko Mamula enjoyed as one of the highest ranking members

\(^{43}\) Žižek, Slavoj. *Tarrying with the Negative: Kant, Hegel, and the Critique of Ideology.* p. 228.

of the Yugoslav National Army (JNA). The publication of privileges, including the use of Army officers to construct Mamula's villa, created quite a scandal. The federal government took measures against the weekly, as it had in the case of other provocative Mladina issues. On March 8, 1988, when Franci Zavrl, Mladina's editor-in-chief, was being questioned in court for cultivating "a counter-revolutionary atmosphere" in Slovenia against the JNA, demonstrators gathered to read a document entitled "For Democracy" While this small protest was eclipsed by the mass demonstrations later on that year, the document itself was crucial in that it was the product of a collaborative effort among all the different groups that I have been describing thus far.

Until this point, most of these groups operated separately and were connected for the most part to one of the major journals as a means to communicate with the public. People would refer to journals in connection with the issues they advocated: Nova Revija dealt with questions of national identity and interwar history, Časopis za Kritiko Znanosti would cover questions dealing with neo-Marxist analyses of political economy and the environment, and Mladina covered the peace/anti-military movement and issues of human rights. However, many found a common denominator in the protest against the proposal put forth by Serbia to change the federal constitution. It was these attempted reforms, as I mentioned in the section dealing with Nova Revija, which were considered to have spurred the writing of Nova Revija's issue 57 as well as the Writer's Constitution:

Žerdin: First, there were some people who could move in all the different spheres, who are not close-minded...and who don't have problems in communicating with anyone. During this time a debate began about reforming the constitution, and this became a joint platform, one with which everyone agrees and to which they also contribute. The circles around Nova Revija are interested in protecting the issue of Slovenia's sovereignty, and the circle around Mladina...that the principle of ugovor vesti be recognized in the constitution...Around February 1988 very different circles began to work together in a group entitled 'For Democracy'...It is interesting
because about 50 organizations, a varied group, signed under the same document. The text is not all that important. The fact that all these groups signed the same document meant that a very broad network of social movements, journals, editors, and associations found themselves on the same "front" at a particular moment in time. In the next few weeks, the rumors began about the dangers of a state coup.⁴⁵

According to Žerdin, "For Democracy" was the product of a sort of political cooperation that only increased with time. It was the first time that the Institute for Marxist Studies and the Slovene Roman Catholic Church signed the same document, or, for that matter, the first time that the Church had signed a document jointly with secular organizations. As I mentioned previously, in 1985 the Church had established a branch of the Commission for Justice and Peace (Komisija za Pravičnost in Mir)⁴⁶ that pronounced public statements concerning social issues, particularly the condition of human rights in Slovenia and across Yugoslavia. It often supported the efforts of those around Mladina and Nova Revija to debate certain issues. For example, the Commission's first public statement supported those (who happened to work more within Mladina's circles) who strove for the introduction of the option of civil service as a substitute for obligatory military service, citing Papal doctrine that validates the refusal to bear arms.⁴⁷ This same declaration encouraged Catholics to participate in efforts at social change based on peaceful and humanitarian motives. When Nova Revija's issue 57 was published, the Commission issued a statement defending the right of its authors to express their views without sanction.⁴⁸ The Commission however had until then expressed its views independently of

⁴⁵Interview with Ali Žerdin.
⁴⁶Slovenia's commission later became a full member of a Europe-wide network of Commissions for Justice and Peace.
⁴⁸Ibid., p. 10-11.
those published elsewhere, and forming part of the discourses circulating in the public sphere yet remaining outside the official-line media.

While Žerdin's narrative speaks of the emergence of a sort of interaction between these distinct networks, others, such as Mladina's Miha Kovač, did not see the cooperation as being as complementary as Žerdin did. Kovač instead identifies three distinct political positions on the possibility of Slovenian reforms in 1988:

The third position on the constitution emerged through a critique of the Writers' draft. For the position of the Writers is a kind of inverted image of the old dogmatic Communist view that in order to secure economic democracy you have to abolish political democracy, which is a bourgeois inheritance. The Writers say that if you want to have political democracy, you have to abolish economic democracy because this is a legacy of the Stalinist era. In other words, they are moving within the same framework and they understand each other very well. We, in the circles around Mladina and the alternative movements, argue that you can have both economic and political democracy. We believe that self-management should remain as the institution of enterprise democracy, only the political bureaucracy should be removed from power -- which could be accomplished by changes in the electoral system and by the creation of free trade unions, etc.49

Despite different interpretations of the relation between these positions on the part of their participants, the federal government, the Serbian government and the JNA wholeheartedly disapproved of the actions of these networks. They considered these actions to feed separatist leanings and highly subversive. The atmosphere became so polarized at the federal level that almost every proposition was reduced to a conflict of national interest, and dialogue on issues in common among more estranged republics became virtually impossible:

49Kovač, op. cit., p. 121.
When the Slovene delegates proposed at the Federal youth congress and in the Federal Assembly that the Article [133] be removed from the Penal Code, they were attacked in Belgrade. And they were attacked not because of the intrinsic content of their ideas but as "Slovenes", as people offering unacceptable Slovene ideas. Their concern with freedom of speech or writing was attacked as an expression of their particular national identity. Hence, we have the paradox of Serb dogmatists agreeing with those Slovenes who considered a desire for democracy to be part of the Slovene national identity. Moreover, relying on a vulgar interpretation of history, they also agree that the current agitation of the Serbian leadership for 'unity' and re-centralization is part of the Serb national identity.50

I will return to the complex identification of Slovene national identity with democracy as well as a desire for democratic reform. Here I would call attention to the fact that the federal government viewed all these movements in Slovenia in the same terms, defining democratic tendencies as inherently nationalistic, and thus anti-centralist and subversive. This interpretation speaks to Žerdin's earlier comments about the spread of rumors about a state coup:

Žerdin: There were documents on the basis of which it was possible to conclude that these rumors were substantiated, and these documents circulated...you were able to get them at Mladina or Nova Revija, and so on. So that during April and May the networks became more cohesive as well as a bit fearful, since there was talk about arresting around five hundred persons. It was known that this was the way that things were being handled in Kosovo, and that this was a certain Yugoslav practice...51

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50Ibid., p. 119.
51Interview with Ali Žerdin.
These two documents referred to rumors of "counter-revolution" in Slovenia and the possibility of military or state retaliation. The first was a leaked transcription of the 72nd meeting of the Federal presidency in Belgrade on March 29, 1988, which records the reactions of Slovenia's President Milan Kučan to the analyses of the state of affairs in Slovenia, as interpreted at the Federal level. The JNA concluded that a special war was being waged in Slovenia against Yugoslavia, particularly among those circles around Mladina and Nova Revija, arguing that the persons involved were coordinating with the "enemy" political emigre population via foreign secret service agencies. In short, a "counter-revolution" was being waged against Yugoslavia from Slovenia, and this required the implementation of measures against those involved in these campaigns. In the transcript Kučan rejected this evaluation of the situation in Slovenia, arguing that the problems in Slovenia stemmed from the state of the economy, and that people were losing faith in the Party and revoking their memberships.\(^5\) The meeting ended without a consensus as to the state of affairs in Slovenia or a plan as to how to proceed.

As this leaked transcription was photocopied and circulated, people began to realize the extent to which the Party was monitoring the actions of these groups. Furthermore, it manifested the width of the gap between Slovenia and other more hardline republics, who characterized the events in Slovenia as "treasonous."

The second document triggered a set of events that forever changed the political environment in Slovenia. It was a confidential military document numbered 5044-3 which outlined the execution of "political security assessments" on the developments in Slovenia. This included registering and analyzing all "possible forums of enemy activity and all demonstrations, peaceful or otherwise."\(^6\)

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\(^6\)Ibid., p. 22.
This was a document that was allegedly found during one of the state secret service’s searches at the office of Janez Janša, one of the journalists for Mladina.54 (How they came to know that he had such an incriminating document in his possession -- if he ever did -- is a subject of continued speculation.) Based on this search, three persons were arrested by the secret service (Služba Državne Varnosti) and handed over to federal military authorities on the charges of possessing confidential military documents: Janez Jansa, David Tašič (both journalists at Mladina) and Ivan Borštner, a Slovene military officer.

Janez Janša was the first person arrested on May 31, 1988. Public reaction was immediate. As Tine Hribar, one of the central figures of Nova Revija, recounts, the editorial board met the following day and drafted a public statement:

We met at the offices of Nova Revija (they were having a similar sort of meeting at the offices of Mladina) and formulated a declaration with three basic demands, which were later incorporated into the demands of the so-called Bavčar committee. In the declaration we wrote that we were outraged at the treatment of Janez Janša in that we were justifiably worried -- on both the human and civic level -- for our constitutional order and the freedom of public speech. As such we demanded "1- that Janez Janša be immediately released; 2- that if he will be accused on the basis of confiscated documents, he be allowed to defend himself as a free man; 3- that a public explanation be provided of the actions that have been carried out."55

This was only one of the many declarations made by different civil groups, including a document signed by the editors of all the youth movement journals, led by Mladina. More importantly, representatives of all these main groups met that evening, drafted and signed a

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54 Janez Janša did not write exclusively for Mladina but was on the editorial board of Časopis za Kritiko Znanosti. He was a trained military expert, whose articles often criticized the Yugoslav National Army. He was to become candidate for president of ZSMS, the Slovene youth organization.
joint petition. When official sources provided no information about the arrest and allowed no contact with Janša, this same group met on June 3rd, 1988 -- at the offices of Mladina -- and established the Committee for the Protection of the Rights of Janez Janša. It was later renamed the Committee for the Protection of Human Rights when two other persons were detained and held for a military trial, along with Mladina's editor-in-chief, Franci Zavrl. The Committee was led by Igor Bavčar, one of Janša's closest colleagues.

Representatives from fifty-two organizations signed the founding petition of the committee: editorial boards, intellectual and academic associations, social movements, student and other political organizations, publishing houses, religious groups, as well as others. At the height of its influence the Committee had 100,000 individual members and over 500 collective ones, by far the largest democratic movement outside the state bureaucracy (though many of the collective members were socialist organizations). The committee's capacity for mobilization was massive, given that the core group of individuals and organizations was very well coordinated and spoke from positions they had built for themselves in the past years.

The first tasks of the Committee included issuing public statements and petitions in which they provided a constant source of information on the condition of the detainees, posing questions to the federal, republic and military authorities concerning the detained: why they were being held without being formally accused; why they were not allowed contact with family or friends; why they were to be tried in a military court that would be closed to the public; why they were not allowed civil legal counsel, and so on. The questions and demands focused on the violation of the basic rights of the persons arrested as well as the violations of legal norms. Last but not least, although the four were being held and were to be tried in Ljubljana, the language of the military courts was Serbo-Croatian, and the four were not granted a trial in Slovene. Many considered this an attack on Slovenes in general, and on "subversive" liberalization processes in particular.
Mastnak argues that the efficacy of the Committee — the fact that it could mobilize such a large segment of the population to openly join such a movement — is based on the fact that it focused on one common topic: the protection of the human rights of those being tried by the JNA.

The CDHR\textsuperscript{56} was founded to help the defendants in the trial and the initial goal of its activity was purely legalistic and apolitical. It was the apolitical platform which attracted and unified numerous individual and collective members. So it happened that people of the most diverse political orientations joined forces and worked together. However, the logic of the space in which the CDHR was formed and had to conduct its activities compelled it to act politically. CDHR became a political organization without ever having had a political platform. It became a political organization in which the members had to suppress their political identity.\textsuperscript{57}

As Mastnak recounts, the Committee's tasks forced it into the realm of political activity, albeit not as a political organization. The efforts to ascertain the status of the detained inevitably entailed entering into an official dialogue with the authorities at the Slovene (republic) level. The Slovenian League of Communists was in an objectively uncomfortable position: on the one hand, the federal government and the federal army argued that it had every right to arrest civilians during peacetime and try them in military courts independently of civil government. On the other, a set of very vocal and socially powerful groups had mobilized a massive organization for the protection of the civil rights of the detained. Circumstances force the Slovenian government to enter into a dialogue with the Committee as well.

Mastnak argues that the narrowness that enabled the Committee to operate effectively also forced people to "suppress" their political identity in the context of the Committee. However, this sort of argument depended upon whether or not the Committee

\textsuperscript{56}CDHR -- Committee for the Defense of Human Rights.
\textsuperscript{57}Tomaž Mastnak, \textit{op.cit.}, p. 312.
had replaced the whole of civil society and whether this civil society needed to be homogenized to be effective. Other groups coordinated their efforts in the Committee with other activities within a larger civil arena..

For example, the writers and intellectuals around *Nova Revija*, who also played a key role in the Committee set up a parallel series of protests. The Slovene Writers' Associations held meetings every night from the 7th of June and to the 27th of July, when the four were freed after their trial. The meetings had to adhere to a minimal set of rules:

1- The members of the Slovene Writers' Association may choose to read either from their own or from foreign literary, journalistic, or philosophical works;
2- The nightly meeting will last no later than 10 pm;
3- Politically or militarily provocative performances are prohibited;
4- The Committee for the freedom of Janša, Borstner and Tašič may and must report during the meeting about current events in connection to the arrests and investigations;
5- Alcoholic beverages may not be brought into the offices of the Slovene Writers' Association.58

The activities of the Writers' Association, which had engaged issues outside the strictly "writerly" sphere, were joined by public petitions made by other literary and artistic associations which normally did not have this sort of practice: the Slavic Society of Koper, the Symphony Orchestra of RTV Ljubljana, the Society of Slovene Composers, the Club of Cultural Workers Ivan Cankar from Celje, the Dance Theater of Ljubljana, and many more. Literary evenings were held in cities throughout Slovenia. The feverish activity in these associations was an example of analogous reactions in other spheres, particularly the academic one.59

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Another sphere that became active was that of the Catholic circles. People gathered every Friday at the Fransiscan Church in Ljubljana's center for evenings of meditation and prayer for the detainees. On July 17, the night before the trial began, an all-night "vigil for justice and peace" was held. Religious lay organizations participated in the work of the Committee as well as representatives from the Commission for Justice and Peace, who were mainly priests.

During the trial, demonstrations were held every day outside the barracks in the hopes that those inside could hear their support, as only close relatives of the arrested were allowed inside. People would parade in front of the barracks, sing Slovene songs, wave flags and banners, and give flowers to the armed soldiers guarding the entrance. There was even an honor guard that would parade across from the barracks, with participants shifting every ten minutes. One of my interviewees recounted how during those hot July days he would take long lunches and work later so that he could also take a turn carrying the flag. As Žerdin recounts in his work focusing on the history of the Committee, the demonstrations had a logic of their own:

The movement on Roška street had its own characteristics. In the last month and a half the Committee had based its strategy upon the dry and tedious legal aspects of the situation. The idea that the movement can destroy the base of the system by naively appealing to the rule of law and the constitution had been sufficient only up to a point. But things became too complicated. The mass of people gathered at Roška street was interested in something different. The language, the flag, the linden leaf. Symbols. Even the most restrained of liberals, skeptical of the discussions about threats to the language and to the Slovene nation, would feel a lump in their throat as they walked down Roška Street. "I am sad. I think that these boys became victims only because they are Slovenes," one of the protesters explained."

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In evaluating the effectiveness of the Committee in terms of its goals, one could argue that it was unsuccessful. The four accused stood trial in Serbo-Croatian without recourse to civil legal counsel or the protection of civil law. They were also found guilty and received sentences ranging from five months to four years, though some of the sentences were shortened.

On a broader level, the effect of the Committee was massive: in the two months following the initial arrests, Slovenia's social and political atmosphere changed dramatically. Drago Jančar was at the time president of the Slovene branch of the PEN Center and was broadcasting the news of the repressive measures carried out in Slovenia via other PEN Centers worldwide. In describing his account of the past years, he points to the time of the Committee as a key moment in the process of change:

Jančar: We had organized a rally there on Congress Square, and this really was probably the turning point. I remember how I sat here with my friend Simoniti at these windows -- I had spoken at the rally and then had come up here -- and we spoke about how now it is really over, now there is going to be a change, there is no way back now. That was when the whole thing culminated. At that time it was crystal clear that we could not go on the way we had until now. Things had to change, and they did, but unfortunately those changes also brought about war....61

The work of the Committee did not end with the trial; on the contrary, it entered a new phase of operations, shifting its focus to an investigation of the background and to legality of the Army's interventions in the civil sphere. The Committee's efforts opened a broader debate about the jurisdiction of federal institutions in Slovenia and forced the Slovene government to take a position vis-a-vis the Federal army. This in turn affected the dynamics between the Yugoslav republics and the question of constitutional reform. By 1988, Slobodan Milošević had been elected President of the Central Committee of the

61Interview with Drago Jančar.
League of Communists in Serbia and had spearheaded a renewed centralist campaign for Yugoslavia. Constitutional reforms were drafted which included bringing Kosovo under direct Serbian control.

The Committee's success spurred discussions about expanding its arenas of activity. Yet here there were disagreements; the majority argued that the Committee should remain "apolitical" and dedicated solely to the "universal" issue of human rights. The notion of designing a political platform for the Committee or transforming it into a political movement (political parties other than the Party were deemed illegal) was rejected. However, another part of the Committee decided to form a political association, the Slovene Democratic Alliance (Slovenska Demokratična Zveza), and requested that the Committee to be a co-founder of the Alliance.62 Instead the Committee replied that its actions were to be defined solely in terms of furthering reforms that would construct a system respectful of human rights. On December 10, 1988 (the International Day for Human Rights), the Committee issued a special statement in which it argued "that the protection and respect for human rights is ensured only by a state subject to the rule of law, with a legitimate government in a democratic and pluralistic system with a free and tolerant civil society."63

Despite this difference of opinion among Committee members, a number of political parties were established and launched within the circles around Nova Revija. Some of them were founded in the offices of the Slovene Writers' Association, including the Slovene Democratic Alliance (Slovenska Demokratična Zveza) on January 12, 1989; the Social Democratic Alliance of Slovenia (Social Demokratska Zveza Slovenije) on February 1st.

The offices that witnessed many a meeting of the Committee as well as the series of literary

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62 The Slovenska Demokratična Zveza was not the first political organization. The first was Slovenska Kmečka Zveza or Slovene Farmers' Alliance established on May 12, 1988, under the aegis of the aforementioned Socialist Alliance of Working People. It operated basically as a trade union for farmers; its formation was hailed by some as the first step in dismantling the hegemony of the League of Communists. When it became more politically active, it was renamed the Slovene People's Party, Slovenska Ljudska Stranka.

63 Ali Žerdin. op.cit., p. 320.

According to Mastnak, the formation of political parties was a natural result of the difference of interests heretofore suppressed by the operation of the Committee:

Because of the mass mobilization structured around CDHR, the democratization process in Slovenia was saved. As this became clear, the structural tensions created inside the CDHR were set free: political identities were gradually articulated. In autumn 1988, the process of formation of political parties began. Its background was the growing autonomy and strength of the civil society as well as its inner differentiation and pluralization which created the need for political representation.

These political movements emerged against the backdrop of increasing tensions between the Committee and the Slovene government. Allegations (well-founded) were made about the complicity of the Slovene government with the federal army in monitoring "alternative" and intellectual circles over the years, as well as in the processes that led to the arrest and trial of the four. These tensions culminated when Janez Janša was arrested to fulfill his prison sentence. The government, fearing demonstrations, forbade the use of public buildings for meetings. However, the youth organization (ZSMS) as an official body called an "open meeting" on Congress Square in downtown Ljubljana, where 10,000 people gathered to protest Janša's second arrest. At this meeting a group of political organizations -- including the Writers' Association, the Slovene Democratic Alliance, the Social Democratic Alliance, the Slovene Farmers' Alliance, and the newly established...

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64 Interview with Rudi Šeligo, who at the time was the President of the Slovene Writers' Association and the became one of the founding members of the Slovene Democratic Alliance.  
66 For more on the uncovering of operation "Mladost," see Žerdin, *op. cit.*
Christian Democrat Movement -- signed and presented a joint petition entitled the May Declaration, in which they demanded a sovereign democratic Slovene state. The Committee and ZSMS did not sign the declaration, evidence of the distinction in priorities of reform. The May Declaration later became the backbone of the DEMOS coalition, to which I shall return.

Despite these differences concerning the status of Slovenia as an independent state, the groups still had a common objective in forming a democratic, pluralistic government, particularly in light of the events unfolding in Belgrade and in Kosovo. In February of 1989, riots broke out in Kosovo protesting the Federal constitutional reforms which would reduce Kosovo's provincial autonomy. As mass strikes began across Kosovo on February 21st, Slovene attention was focused on the thousand miners in Trepca who had begun a hunger strike underground in the mines. The Committee held a rally to support the miners, inviting Slovene Party officials to participate in the event. This was the first time that Slovene Communists -- in the person of Milan Kučan, the President of the Slovene League of Communists -- spoke out against the Serb actions in Kosovo and thus officially began to distance themselves from Yugoslav policy on the issue. The Party also signed the Ljubljana Declaration drawn up by members of the Committee in protest of the imposition of the state of emergency on Kosovo. One million Slovenes signed the Ljubljana Declaration.

The actions of the Slovene Communists regarding Kosovo signaled the first rupture in the common federal policies dictated by the Yugoslav League of Communists. In the following months this process of distancing between the Slovenian and Yugoslav Leagues continued to develop. It was exacerbated by the Slovene Assembly's amendments to Slovenia's Constitution (as a republic) in which Slovenia's rights within Yugoslavia were protected. These included key changes such as reserving the right to call a state of

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67 A previous May Declaration was presented to the Vienna Parliament in May of 1917 by the Slovene Anton Korošec, in which the Yugoslav delegates demanded the formation of an autonomous South Slav state within the Austro-Hungarian empire.
emergency for the Slovene Assembly, as well as the right to secession. The amendments also widened the political arena by recognizing citizens' basic rights. However, the constitution did not yet allow for the existence of other political parties. This occurred on December 27, 1989, when the Slovene Assembly passed the law on political organizations. DEMOS -- a coalition which initially included the Slovene Democratic Alliance, the Slovenia Social Democratic Alliance, the Slovene Farmers' Alliance, and the Christian Democratic Movement -- was formed before the end of the year.

The definitive rupture came at the 14th Emergency Congress of the League of Communists of Yugoslavia, at which the Serbian and Slovene delegations could not come to a compromise concerning a common federal constitution. The Slovene delegation left the Congress in protest. That very same month the Slovene Assembly passed a law calling for parliamentary elections. The "runaway train," as Drago Jančar referred to the processes of change, was picking up speed, and the first Slovene multi-party elections were called for April 8 and April 22, 1990, a scant three months later.

During this time the differences between member groups of the Committee began to manifest themselves in the profiles of the political parties preparing themselves for the upcoming elections. These differences were highlighted by the mounting crisis in Yugoslavia which threatened the feasibility of a common, democratic Yugoslav future. The key issue of distinction was the question of Slovene sovereignty, which kept the member groups of the Committee from joining in a common coalition at the elections. The DEMOS coalition (Democratic Opposition of Slovenia) was composed of five parties: the Slovene Democratic Alliance, the Social Democratic Party, the Slovene Christian Democrats, the Slovene Farmers' Alliance/People's Party, and the Greens of Slovenia. The other main member groups of the Committee, the ZSMS and the new social movements became the Liberal Party and the Independent List of NSM, respectively. The Slovene League of Communists renamed themselves the Party of Democratic Renewal, and the Socialist
Alliance of Working People transformed itself into a political party and formed a socialist bloc with the Party of Democratic Renewal.

The DEMOS coalition won the parliamentary elections, and Milan Kučan was elected President of Slovenia. The formation of the first non-Communist government, led by the head of the Christian Democrats, Lojze Peterle, signaled the beginning of a new era in Slovene history. Many argued that this signaled a new era in Slovenian history, for it set the stage for Slovenia's independence. The newly elected assembly passed legislation that further fortified Slovenia's position within Yugoslavia. When negotiations with the federal government continued at a stalemate, the government held a plebiscite in December, 1990, in which Slovenes voted overwhelmingly for independence. The outcome marked the explicit beginning of a nation-building process which reconfigured the political debates concerning Slovenia's future as well as the positions of the leading figures in Slovenia's liberalization processes. This shift also introduced new public figures, including economists, who emerged to shape the future independent Slovene state.

While many Slovenes would consider my having concluded the account of political liberalization with the first elections -- and thus a full year before Slovenia declared its independence -- as stopping in the middle of the story, my aim here is to highlight the disjunctures and connections between the discourses of democratization and nationalism used to interpret the events in Slovenia during the 1980s. There were many overlaps between the two that provided them with a common political ground from which to operate as an effective political movement. However, for considerable segments of the newly created political sphere, the construction of a nation would be fulfilled only at the expense of democratic reforms: they drew a strong distinction between self-determination and nationalism.

In this chapter I have been outlining the ways that certain groups of influential Slovenes identified the events and actors of Slovenia's liberalization. In describing these
accounts, I have traced the range of socially possible forms of political action through to their development into distinct political identities formalized as parties. Far from being resolved with the achievement of common goals, these different identities continued to inform the process of nation-building as well as that of economic independence, to which I shall turn in the following chapters.
CHAPTER TWO: THE CONSTRUCTION OF ECONOMICS

Slovenia is economically more successful than other parts of Yugoslavia. Is it this which has allowed the republic's greater flexibility and openness to democratic developments? If a real economic crisis were to hit Slovenia, would it put an end of the process of democratization?¹

This was one of the questions posed to Mladina journalist Miha Kovač in an interview published in New Left Review in 1988, an interview that I cited in the previous chapter. The question, posed by fellow Yugoslav Branka Magaš, makes it clear that the "democratic developments" in Slovenia were thought to be but one aspect of the changes that defined Yugoslavia during the 1980s. Magaš' question also points to a connection understood by Yugoslavs to exist between economic and political events in Yugoslavia, albeit a more Marxist one in this case. Slovenia's openness to democratic developments is considered to be defined by Slovenia's economic success, particularly in relation to the economic situations in other Yugoslav republics.

What follows will be an introduction of the narratives with which economists provide (alternative) accounts of Yugoslavia in the 1980s. Far from articulating their accounts in terms of democratic reforms and liberalization, economists employ different criteria to interpret Yugoslavia's last decade, and they generally characterized as a period of mounting economic crisis.

Following a brief sketch of the four phases of Yugoslav post-war economic history as recounted to me by Slovene economists, I will try to situate and compare the roles of economists and intellectuals during the liberal period of the 1960s. In the previous chapter I argued that different narratives and practices seemed to be connected to understandings of legitimate, provocative, or quasi-dissident practices among intellectuals and activists in the 1980s. What were the legitimate positions for economists, and how was this legitimacy practiced and expressed? Pointing out the limits of situating economists according to the

criteria employed by intellectuals, I will develop an argument for the relevance of analyzing economists in terms of their own narratives of the construction of economic as a form of scientific knowledge and as an autonomous sphere. Introducing and interpreting the connections between economists' narratives of the history of economics and the history of the Yugoslav economy, I will present the sort of discursive positions economists occupied during the 1980s and the practices that maintained a particular notion of objective expertise.

**Yugoslavia's History of Self-Management Socialism**

One of the first things many of my interlocutors would ask me at a first meeting, as if they were testing me, was whether I was acquainted with the Yugoslav system of self-management and the differences between central planning and self-management. Usually they would not wait for me to answer, but, in wanting to make sure that this anthropology graduate student from the United States would understand things properly, they would launch into a brief history of post-war Yugoslav economy. Some would begin at the very beginning, recounting that directly after the Second World War Yugoslavia implemented Soviet style central planning. Josip Broz Tito presented the first five-year plan to the Yugoslav Assembly on April 26, 1947. However, before the completion of the first five year plan, Yugoslavia was expelled from Cominform in 1948. At first Yugoslavia's strategy was to be more Soviet than the Soviets, with central planning followed to the letter. A second, more thorough round of nationalization (the process by which private property is seized and rendered state property) and a campaign to collectivize agriculture followed the 1948 Tito-Stalin break..

The initial idea of self-management is attributed to Milovan Djilas, one of the officials in Tito's inner circle, who later was stripped of his political positions due to his explicitly critical writings against the Yugoslav Party system. Djilas is said to have uncovered previously disregarded ideas in Marx's *Kapital* about a vision of society in
which workers would organize themselves and make decisions about the production and distribution of goods. In the spring of 1950 Djilas presented his interpretation of Marx's vision to Edvard Kardelj and Boris Kidrič, two of Tito's closest colleagues, and they agreed that this would be a concept to be implemented in a few years' time. However, despite this initial decision, the Workers' Self-Management Act was passed by the Assembly on June 27, 1950.²

With these words Tito introduced this Act to the Assembly, thus setting Yugoslavia on its historic "third way:"

The People's Assembly today discusses the proposal of one the most important laws of socialist Yugoslavia...Along with the Law of the Nationalization of the Means of Production, the adoption of this law will be the most important historic act of this People's Assembly. The state's taking on the means of production has not yet fulfilled the slogan of the working class, "factories to the workers," because the slogan "factories to the workers, land to the farmers" is not abstract propaganda but a slogan with deeply substantive meaning. This slogan expresses an entire program of socialist relations to production: if we want to really build socialism, we must fulfill it in regards to social property and the rights and responsibilities of working people.³

While the introduction of the Self-Management Act heralded a decisive shift for the Yugoslav economy, real changes did not begin until 1952 and the beginning of the era of administrative socialism. The inauguration of this era coincided with a redefinition of the role of the Yugoslav Communist party in 1952 in the wake of Yugoslavia's expulsion from Cominform. The Yugoslav Communist Party was renamed the League of Communists of Yugoslavia, and at its meeting in 1952 it formally endorsed self-management as a special

feature of Yugoslav socialism. This endorsement was formalized with the Constitutional Law of 1953 which substantially amended Yugoslavia's 1946 Constitution and established many of the institutions necessary for the implementation of self-management. Furthermore, the Constitutional Law legally transformed state property (i.e. previously nationalized private property) into social property, thereby formally redefining the role of the state -- in other words, of the League of Communists -- as well as that of the workers.

Despite the formal transfer of powers of decision-making to workers with the Self-Management Act and the Constitutional Law of 1953, the era of administrative socialism was a very gradual and partial process of dismantling the centrally planned economy. Five year state plans were replaced by more flexible social plans which left firms free to organize production processes as well as to set prices on consumer goods. Some of the power wielded by the central state power was delegated to občinas, or communes, at the local level. However, a centralized state authority still controlled most of the key economic decisions -- including income distribution and investment policy.

Key reforms implemented in 1961 and adopted into the new constitution of 1963 marked Yugoslavia's shift to market socialism, during which time economic policy making became further decentralized. Many of the decisions previously outlined by federal social plans under administrative socialism were left to the responsibility of firms that were to make decisions according to the criteria of the market. Investment decisions that had been retained by the central authority were now made by individual firms in conjunction with newly introduced commercial banks. Issues of employment and marketing were left to firms, while prices of raw materials and investment goods were still regulated by the center. Foreign trade was liberalized, allowing firms direct business contact with Western markets. Supplementary economic reforms in 1965 gave an even more prominent place to market forces in shaping the Yugoslav economy, with the introduction of policies to devalue the dinar, curb inflation, stimulate exports and increase imports. Furthermore, the rights to the
division of net profit were delegated to individual firms, and the state restrictions on the
level of income were lifted.

The constitutional reforms of 1971, the Constitution of 1974 and the Law of
Associated Labor of 1976 (Zakon o Združenem Delu) defined a radical departure from
market socialism to contractual socialism (or integrated planned self-management), which
formally lasted until 1990. Contractual socialism introduced a different dynamic of
decision-making based upon the decentralization of the structure of firms into basic
organizations of associated labor (temeljne organizacije združenega dela). This new
structure redefined the process of economic planning and economic activity.

The role of free market forces in decision-making at the level of the firm was
discarded in favor of decisions made on the basis of consensus at the level of these basic
organizations. (A firm had usually more than one basic organization.) These decisions
were to be coordinated at higher levels by composite organizations of associated labor
(sestavljene organizacije združenega dela), whose actions were in turn regulated by Self-
Management Agreements and Social Compacts. Self-Management Agreements defined the
dynamic among organizations at the level of basic and composite organizations of
associated labor, defining guidelines for collective issues such as investment policies and
the designation of collective consumption. Social Compacts outlined agreements on a
higher level between economic, public and social service spheres and were designed to be a
means for attaining certain projected policy objectives in terms of planning, employment,
prices and international trade.

This new structure went beyond systematizing the relationship between interlocking
economic organizations to include other "work organizations" into the decision-making
process of self-management. The category of work organizations (delovne organizacije)
included socio-political organizations (such as the League of Communists and the Socialist
Alliance of Working People), self-managing communities of interest (organizations in the
public service sector) and all other organizations that did not deal directly with the process
of production. Work organizations had the same status as basic organizations of associated labor and thus had a voice in deciding common issues -- such as those regulated by the Self-Management Agreements -- categorized as economic. Thus the dynamic of consensus planning among the economic, public and political spheres -- regulated on one level by the Social Compacts -- was reproduced all the way down to the most basic level of organization. The philosophy of the integration of all social spheres was also incorporated into the political process of decision-making as an elaborate delegate system replaced the direct election of representatives to legislative bodies.

Further explaining the bureaucratic intricacy of the integrated self-management system any further would require more space than I can allot to it here, and would simply reproduce what may be become apparent to the reader in this short summary: namely, the attempt at bureaucratizing and coordinating the operation of an entire socio-economic system in this fashion is not necessarily conducive to explanation, nor is it necessarily efficacious in practice. However, I will simply stress here that with this integrated formulation of economic planning the criteria of consensus planning replaced with the criteria of market forces as the means by which crucial economic decisions were made. First, prices were planned and regulated by way of numerous agreements. Second, while firms still had the authority to distribute income, the level of personal incomes was also restricted so as to prevent great discrepancies. Resources were then pooled at higher levels to be distributed from richer to poorer republics. Fourth, commercial banks went from being "capital profit oriented" under market socialism to "service centered," as investment and loan policies were defined by policy agreements as opposed to market criteria of profitability and return. Finally, foreign trade strategies were also coordinated at the level of the Self-Managing Communities of Interest for Foreign Trade.

\[4\] While many non-economic organizations had been given a voice in economic planning as early as 1963, this was the first time that work organization were so systematically incorporated into daily economic activities.
Economic Liberalism in the 1960s

Of the succession of "hybrid" economic systems that were implemented in Yugoslavia -- if one equates "pure socialism" with central planning and "pure capitalism" with free market economy -- the shift from market socialism to integrated planned self-management was by far the most radical. Decades of gradual reform away from central planning culminated in the years immediately after 1965, at which time Yugoslavia's economic system most resembled a market economy. While not all economists agreed with the extension of the role of market forces in Yugoslavia's economy, market socialism enjoyed official Party support in Slovenia with Stane Kavčič who was prime minister of Slovenia during the late 1960s and early 1970s. Kavčič was the head of the more liberal faction of the Slovene League of Communists and identified as the advocate of economic liberalism and the delegation of economic power from the state to the firms. Similar party factions came to power in other Yugoslav republics, some of which were coupled with nationalist movements, as in the case of Croatia. The older Party establishment considered these movements and the reforms they set in motion to be threatening. With Tito's intervention, Stane Kavčič was forced to resign in 1972, and the subsequent purges removed the younger and more liberal generation of reformers from all key positions of power not only in Slovenia, but across Yugoslavia. This official reversal of policy was more than apparent when, in 1974, Tito addressed the 10th Party Congress, attacking liberalism and nationalism in the name of Marx and Lenin.\footnote{Branka Magaš. \textit{The Destruction of Yugoslavia}. Verso: London, 1993. p. 81.} The pendulum had swung in the other direction.

I mention these radical changes to bring attention to the fact that the succession of "hybrid" economic systems in Yugoslavia forecloses any possibility of posing questions concerning a "transition" from socialism to capitalism in mutually exclusive binary terms. Slovene economists define their questions and narratives of Yugoslav economic history in
anything but purely socialist terms. In describing substantive shifts in economic policy that have marked this history, their interpretations preclude the possibility of identifying a single moment of transition from socialism to capitalism. Furthermore, economists with whom I spoke would unfailingly stress that they had received some degree of graduate training in the West -- among members of the Faculty there were few exceptions to this. Access to economic literature was not restricted, and more than one economist mentioned that chapters of Paul Samuelson's introductory microeconomics textbook had been translated into Slovene as early as 1963 to be used as introductory teaching material at the University of Ljubljana's Faculty of Economics. Later editions were not translated, and economics students now read the latest of Samuelson's textbooks in English. They define themselves more in terms of participating in a transnational community of knowledge than in terms of their local position within a socialist economy.

The fact that the state itself introduced market reforms during the 1960s implied that economists did not necessarily define economic liberalization or critical practice in terms of an automatic advocacy of capitalism. The issue of distinguishing the notion of economic liberalization among the liberal movements of the 1960s came up in my interview with Dr. Veljko Rus, whom I mentioned in the previous chapter. Rus had been a member of Revija 57 and Perspektive, both of which were banned by the Party establishment. He also formed part of the circle of contributors to Praxis, a Zagreb-based journal that was banned with the onset of the svinčena leta. The contributors to Praxis came from all over Yugoslavia and espoused change in terms of a reform of socialism. Rus, a sociologist who is now once again a university professor, was also purged from the University of Ljubljana during the svinčena leta.

I spoke with Veljko Rus about his writings for Nova Revija in the 1980s -- including his contribution to Issue 57 -- and his view on the connections between the 1960s and the 1980s as liberal periods. While he argued that one could trace cycles of liberalization from 1945 onwards in which there existed a strong correlation between rapid
economic growth and liberalization, Rus was of the opinion that there was little continuity
existed between the 1960s and the 1980s:

The generation of the sixties is not reactivated, nor do they work together anymore.
There were also different issues at stake. Kavčič’s generation was the second
revolutionary generation, the one that advocated the very things that are occurring
today, this is true...They called for a more market-based economy, that would rely
less on heavy industry and more on domestic industry, less on the secondary sector
and more on the tertiary or services sector. Kavčič advocated all this, his whole
group did. It wasn’t so important that Kavčič spoke about this, but that there was a
whole generation at that time, all over Yugoslavia...6

Until 1972 Kavčič had come to represent and lead a younger, more liberal generation of
Party members that espoused the implementation of market reforms as well as reforms of
the role of the Party in the operation of the economy. Yet, as Rus goes on to explain, not
all movements that defined themselves as liberal advocated similar kinds of change.

Yet we did not work with Kavčič, because that seemed too much for us. Here I am
referring to those of us around Perspektive...We were not with Kavčič. We were
anti-Kavčič, yet we were not on Kardelj’s side either. He seemed too...how should
I say it...in any case he was politically very efficient.7

In drawing distinctions between those who worked for Perspektive, those who were
proponents for Stane Kavčič, or for Edvard Kardelj, Rus sketches a complex and not
necessarily overlapping configuration of liberal movements in the 1960s. One need only
look back to the previous chapter in which different intellectual movements trace distinct
genealogies of dissident or critical practices through influential journals in the 1950s and

6Interview with Dr. Veljko Rus.
7Interview with Veljko Rus. Edvard Kardelj, whom Rus mentions here, was one of Tito’s
closest colleagues from the days of the Second World War and managed to stay in favor
with Tito longer than any other of Tito’s inner circle. Kardelj did not favor market reforms,
and was one of the main architects of the Constitution of 1974, which instituted integrated
planned self-management.
1960s. These genealogies presume different interpretations of the 1960s as a politically liberal period. The distinction that Rus points to here is between Party factions espousing different plans of economic reform (Stane Kavčič -- Edvard Kardelj) and the group around Perspektive, which called for political change in the Party's systemic monopoly of power without resorting to calls for market reforms. For Rus, as well as for others, a "return" to capitalism meant just that: a step backwards.

One begins to realize here that those advocating political or economic liberalization could actually be on opposing sides in the political sphere. Stane Kavčič was one of the main officials behind the sanctions brought against those who wrote for Perspektive in 1964. In turn Stane Kavčič's generation was removed from power as they had become a threat to the older generation of Party officials, and thus market reforms were not a political or economic option in Yugoslavia for some time.

The multiplicity of claims to "liberal movements" which Rus identifies here forces one to approach them as strategies employed by differently positioned groups, for which binary oppositions such as socialism-capitalism are not very useful, particularly when positions do not fall neatly into the set of categories engendered by these dichotomies. This holds also in the case of economists who debated, criticized or assisted in the implementation of market reforms, yet who were not politically penalized for them. There were no purges of the Faculty of Economics at the University of Ljubljana as there were at the Faculties of Law and of Social Sciences. There were some changes, particularly in the sphere of a business training school, but one could not help but compare the fate of Stane Kavčič and his political allies in the Party with that of economists who were advocates or even advisors in the implementation of market reforms. Here I am not making value-judgments as to who was more "deserving" of their fate -- the situation is much more complex than that -- but instead I am calling attention to economists' different social positioning.
In this context it is not surprising to imagine that being critical of the economic system was not a relevant distinguishing feature among economists. On the contrary, economists were given official room to be critical, as the Party apparatus began to hastily assemble commissions of expert economists who were to find a way to stabilize the Yugoslav economy. Far from playing the role of dissident critics, economists were able to play the role of objective professional technical advisors attempting to find a way to keep the economy afloat.

To understand the distinctiveness of economists' social positions and of their concepts liberalization, I shall sketch out below economists' narratives concerning the nature and history of economics as well as their understanding of the relationship between economics and other social spheres. In this fashion I intend to outline economists' construction of the culture of economics as an objective science as a means of understanding the range of criteria which economists employ to evaluate economic theory and practice.

The Construction of Economics

The historical construction of economics as a discipline coincides with the history of the construction of the Yugoslav socialist economy. Economics in Slovenia exists strictly as a post-war discipline that was established with the founding of the University of Ljubljana's Faculty of Economics by the Slovene government on March 8, 1946, at the request of the students of the University of Ljubljana. The initial home of the Faculty was Gregorčičeva 27, next door to the present-day Slovene Ministry of Foreign Affairs. At that time they had only one full-time professor, no library or study literature, and 348

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students enrolled in the first year. The first Ph.D. awarded by the Faculty of Economics was in 1958, with that student later becoming one of the core professors for graduate studies.

During the first few years the study programs were "centrally planned" and economics was taught in the same manner in universities all over Yugoslavia. This lasted through the era of administrative socialism. In addition, due to a lack of professors there existed an elaborate system of coordination among all Yugoslav universities. As each individual university did not have enough experts to establish their own complete graduate program, each university would specialize in one or two graduate programs, and graduate students would take classes at the university that specialized in their subfield. For example, one of the professors that specialized in monetary policy explained how he traveled to the University of Skopje in Macedonia to continue his studies in finance and monetary policy where the specialized professors were gathered. Those who wanted to study something else would travel to Zagreb, Belgrade and so on. This sort of practice went until the 1960s as universities accumulated the intellectual capacity to establish their own graduate programs, which in the case of the University of Ljubljana occurred in early 1960s.

Thus the first generation of graduate students also had great leeway to study abroad, both in the East and the West, though they would have to return and defend their Ph.D. dissertations at their home universities. One finds that in the years right after World War II, graduate students were studying abroad, in Britain and the United States for example, despite expected ideological restrictions. For example, one could take the case of one of Slovenia's most respected and most senior economists: Dr. Aleksander Bajt, the founder of the Economics Institute at the Faculty of Law. Dr. Bajt received his college degree at the University of Ljubljana's Faculty of Law, at which there happened to be Russian professors of mathematics who introduced Bajt to the elementary tools of statistics and econometrics. Bajt studied in Austria and defended his doctoral thesis on Marx's theory of value at the Faculty of Law in 1953 -- a full 5 years before the Faculty of Economics "produced" its
first Ph.D. Bajt's case, however, is quite extraordinary and one to which I will return later. In any case his is an example of the sort of study program abroad that one could follow in the early 1950s.

The University of Ljubljana's Faculty of Economics remained the only university-level institution teaching economics until the School for Business and Economics was founded in the early 1960s at the University of Maribor. Economics was thus offered and practiced at both of Slovenia's universities.

I will address in detail the history of the professionalization of economics and economists at the University of Ljubljana's Faculty of Economics in chapter four. However, I will mention here that despite its humble beginnings, the Faculty of Economics became the country's center for the training of economics students in Slovenia both on the graduate and undergraduate levels and at the level of višja šola, which is the equivalent to a two year college degree. It remains mainly a teaching institution.

Not all professors of economics teach at the Faculty of Economics, however. At the University of Ljubljana all faculties are independent of each other, meaning that each provided the professors required to teach the courses offered at each respective faculty, despite the fact that some of the required courses would fall outside the realm of the faculty's realm of expertise. For example, the Faculty of Economics has professors of foreign languages to teach its foreign language requirements instead of having economics students take classes at the Faculty of Philosophy. While the present-day Faculty of Economics and the Faculty of Social Sciences are literally a few hundred feet away from each other in Bežigrad, a northern section of Ljubljana, the Faculty of Social Sciences has its own economics professors to teach classes to the students who pursue a degree in the social sciences. In this fashion there are also professors of economics at the Faculty of Law and the Faculty of Electric Engineering, among others.

While one could characterize the 1950s as a decade of the physical construction of economics -- faculties established, professors trained and hired, programs designed,
buildings and libraries built -- the 1960s could be described as the decade in which
economics came to be taken seriously as a socially relevant form of knowledge. Funding
was allocated to the establishment of research institutes and the contracting of research
conducted by economists. This shift coincided with the state's partial relinquishing of the
power of decision-making to the abstract forces of "the laws of economics." And it is the
very belief in the "laws of economics" upon which economists based their livelihood:

Economics is a science which examines and discovers the laws that govern
economic behavior, laws that objectively exist and the free operation of which has
to a great degree become a historical necessity, given our present stage of
development of the forces of production.9

These words, spoken by Dr. Mare Bešter, dean of the Faculty of Economics in 1967, point
to the belief in economic laws as the basis for the development of economics as a discipline.
They also express the grounds for the authority of economics as a discipline: the outlining
of a sphere of activity governed by objective economic laws (beyond the sphere of Party
politics) uncovered and monitored by economists.

With the recognition of the distinctiveness of economics as a separate sphere came
the creation of key Slovene economic institutes. One of the first research organizations
established in the 1960s was Institute for Economic Research, which is the more research-
oriented of the three. It was established by a merger between the Institute of Economics,
Statistics and Demography and the Economics Institute in 1965. In the 1980s the institute
employed approximately 20 researchers to conduct investigations for clients which included
mostly state ministries and organizations in Slovenia and Yugoslavia that did not have their
own research staff. The investigations included issues of regional development, industrial
policy, monetary policy, econometric models for social planning, household economics,
employment, foreign trade policy.

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The most well-known economics institute in Slovenia, the Economics Institute at the Faculty of Law, was founded by Dr. Aleksander Bajt. Bajt is one of the most senior economists who, as I had mentioned earlier, had pursued his graduate studies in Vienna but defended his doctoral thesis at the University of Ljubljana's Faculty of Law in 1953. When Bajt completed his studies, he began to teach at the Faculty of Economics, but due to differences of opinion he left to teach at the Faculty of Law. The institute was founded as an internal research institution which later -- during the era of contract socialism in the 1970s -- became independent of the institutional university structure to become one of the renowned economics institutes in Slovenia. The members of the institute were hand-picked by Bajt, who would then send them to the United States for graduate study. The institute financed itself with its monthly publications documenting macroeconomic trends for Yugoslavia and Slovenia. *Privredna Kretanja* was the journal dedicated to Yugoslavia, and *Gospodarska Gibanja* was exclusively for Slovenia. The institute was contracted to conduct the research by the federal government. Every month newspapers would publish excerpts from these monthly publications as objective reports on how the country was progressing. While *Privredna Kretanja* was discontinued with the dissolution of Yugoslavia, *Gospodarska Gibanja*'s findings continue to make appearances in Slovene newspapers every month. The work of the Economics Institute at the Faculty of Law as well as that of the Institute of Economic Research formed the basic framework for economic research that strengthened the development of economics as an objective discipline and as a distinct social sphere.

Narratives of the history of the Yugoslav economy and of economics as a discipline in Yugoslavia can be recast in terms of the objectivity accorded to the economic sphere so as to productively shed light upon what seem to be self-contradictory positions if seen simply in political terms. Furthermore, this would help untangle the seeming complexities of the role of economists and what can be interpreted as inconsistencies in their positions. For example, "collaborating" with a government trying to implement market reforms can be
understood instead as attempting to set up urgently needed reforms of an economic system
which had been engineered accordingly to politically "arbitrary" criteria.

The belief in the autonomy of the economic sphere and the autonomy of economics
as a discipline also allows one to compare the role of journals among intellectuals and
activists as well as among economists. Journals in economics do not play the same sort of
role among economists as they do (or did) among intellectuals, for whom journals were the
gathering point of like-minded poets, philosophers, writers, social theorists, activists, and
journalists for the purpose of disseminating their work outside their own circles and of
effecting social change. This is at least the sort of function that certain journals -- from
Revija 57, Perspektive, Problemi, Sodobnost, Časopis za Kritiko Znanosti, Nova Revija, to
Mladina -- played at certain moments in Slovene post-war history. While here I do not
want to ignore that intellectuals and activists accrue "cultural capital" with their publications
in these journals, I would like to focus instead on the issue of the journals themselves.
Affiliation with a particular journal or magazine in the 1960s and 1980s went far in
identifying or situating someone in a way that was more relevant, or spoke more about
them than their institutional affiliation, for example.

With economists, on the other hand, one finds that economic journals do not attract
certain circles of like-minded economists. Nor do economic journals "circulate" as did
Nova Revija and Mladina. While I do not want to reduce the publication and circulation of
journals to the accumulation of intellectual capital within the community of economists, I
would argue here that economic journals were not intended for the dissemination of work
and ideas to the broader, non-economist public, as was the case with Nova Revija and
Mladina. As such the criteria for evaluating the publications would be different. The
existence of technical economic journals such as Slovenska Ekonomsk Revija, Bančni
Vestnik, Gospodarski Vestnik, Naše Gospodarstvo and others -- as well as the stratification
of prestige that was accorded to pieces being published in more or less respected journals --
became also a manifestation of the boundary that maintained economics' distinction as a form of knowledge.

The concept of the objective distinction of economics also informed the way that economists defined the 1970s as an economic period. Economics focused on the passing of the 1974 Constitution -- which was introduced in chapter one as formalizing a more decentralized set of relations between republics and provinces -- as a point during which economics lost the partial autonomy it had gained during the 1960s. As I had mentioned earlier, this did not result in the political sanction of economists who advocated market reforms, nor were economists purged from political or academic posts. Some economists, such as Dr. Branko Horvat, one of the most respected Yugoslav economists who worked closely with the federal government in the late 1960s, resigned from politics and remained an active member of the academic sphere, teaching at the University of Zagreb. A number of younger economists from the Faculty of Economics in Ljubljana went to pursue their graduate studies under him. At the University of Ljubljana, the decade of the 1970s is interpreted as the era during which the Faculty partially lost its autonomy and endured pressure from the political sphere to redefine the role of economics and the shape of the discipline. Edvard Kardelj, the architect of contractual socialism, became an honorary professor at the Faculty of Economics. Research was to be focused more on socialist political economies than on the development of "economics as a science:"

The dominant social framework during this time was based upon the passing of the constitutional amendments in May of 1971, the Yugoslav Constitution of 1974, and the Law on Associated Labor of 1976. This was an era of tension between economics (the Faculty) and politics. The Faculty was criticized for not constructing the political economy of socialism as the basis for the development of all other economic disciplines. The study program of the Faculty came to be evaluated in terms of political factors. It was a time during which it seemed that
economics could be supposedly explained and researched by politicians, and not by
Faculty professors. 10

The 1970s was also the period of the establishment of the International Center for
Public Enterprises, which has also expanded to become a teaching institution with the
institutional support of the Faculty of Economics. It was established in the mid-70s as the
Center for the Study of Developing Countries under the institutional affiliation of the
Faculty of Social Sciences. The institute later became an inter-governmental organization
with 42 member countries and 48 affiliate members, and supported in part by the United
Nations and other multi-lateral organizations. Basing itself on the philosophy of non-
alignment that became prevalent from the late 1960s onwards in Yugoslavia, the Center
conducted international research projects – sponsored in part by the federal Yugoslav
government – concerning issues of south-south development and the economic relations
between Yugoslavia and other non-aligned countries.

Despite the creation of the International Center for Public Enterprises, the era of the
1970s was characterized as a setback in the narrative of the construction of economics and
the Faculty of Economics, which by 1996 is reversed, as the Faculty has risen to a
prominence which it had not enjoyed until that point. The shift from the discourse of the
politicization of economics begins in the decade of the 1980s, which was ushered in with
the death of Josip Broz Tito and the eruption of a deep economic crisis. I will cite here an
excerpt from the preface of the Annual Report of the Institute for Economic Research for
1986, in which the director of the Institute exhibits a strong shift from the sort of discourse
employed to define the era of the 1970s:

In this past year the Institute has also played a more prominent public role in its
cooperation with different fora trying to solve actual developmental problems of our
society, among which I would like to emphasize our greater participation in the

10 Danijel Pučko, op. cit., p. 9.
Yugoslav arena as well as beyond (especially our continued cooperation with OECD and with the International Bank as well as the establishment of more permanent relations with the European Economic Community). This sort of research is now especially important for Yugoslavia, for -- leaving aside systemic and political taboos -- it calls attention to the way our society should behave and what measures it should take if it wishes to maintain its business, technological, productive, developmental, information, and also civilizational ties to Europe and the rest of the developed world. Finally, may I also mention that the institute also made a profit in the last year.\footnote{Poročilo Inštituta za Ekonomsko Raziskovanja 1986. Ljubljana:1987, p. ii.}

Taking into account that this is an official public document, the role that economists ascribe to economics -- the means by which Yugoslavia is to maintain its ties to the rest of the "developed civilized world" -- is quite striking. This is the sort of understanding which is explicitly discussed in relation to economics and to the broader role of privatization in the transition process, an issue that I shall address in the following chapter. Here I would like to call attention to the shift from the simply autonomy of the economic sphere -- a point maintained by economists in the 1960s -- to an assertion of the dominant and central role of economic measures in resolving Yugoslavia's problems in the 1980s. To do so I will examine the way economists located the period of the 1980s within their narratives of Yugoslav economic history.

Yugoslavia in the 1980s

One of the key conditions connected to the rise of economic authority in the 1980s was the inevitable fact of Yugoslavia's economic crisis, which by the time Tito had passed away could no longer be ignored. While shortages of consumer goods had begun as early
as 1979, in 1981 it became common knowledge that Yugoslavia's foreign debt had ballooned up to US$ 20 billion. In 1983 alone US$ 900 million were added to the previous year's total. By 1982 Milka Planinc had replaced Veselin Djuranovic as Prime Minister of Yugoslavia, and set in motion a concerted effort at stabilizing the economy. Yugoslavia's debt was refinanced by the International Monetary Fund -- working in close conjunction with Yugoslavia's international creditors -- on the condition that Yugoslavia implement certain structural reforms.

A number of the economists that I spoke to recounted the way that the economic crisis spurred the production of economic research analyses. The Planinc government contracted to write a piece about the sort of reforms necessary for a particular sector of the economy. The documents written were then gathered and processed by a government committee attempting to outline a consistent plan of stabilization and reform. Other Slovene economists did more than write pieces at home and traveled a great deal between Belgrade and Ljubljana, working more closely in other aspects of the reform process.

Economists interpreted the fact of the crisis and the apparent failure of contractual socialism of the 1970s as the basis for recasting the histories of the success of Yugoslav socialism in different terms. While during the early 1980s no one yet called for the end of socialism, analyses of the system either comprised critiques of the implementation of the system or critiques of the system itself. Here I will not provide a history of the discussions among economists in certain key issues through the 1980s -- that in itself could be the subject of a dissertation; instead I will outline possible positions taken by economists as well as certain directions of research and practice which allowed economists to attain or maintain positions of expertise.

While most Slovene economists would agree that the oil crises in the 1970s wreaked havoc on Yugoslavia's balance of payments and forced it to borrow heavily from international lenders, some argued that Yugoslavia's troubles were systemic in nature. For example, Dr. Jože Mencinger, one of the main researchers at the Economic Institute at the
Faculty of Law and professor of economics at the Faculty (he has also now replaced Dr. Bajt as head of the institute) argued the wholesale failure of self-management as a system. In an article published in *Gospodarska Gibanja* in 1985, Mencinger examine post-war Yugoslav economic history, analyzing how to identify distinct periods and in turn evaluated them. Mencinger argued that the separation of socialism into discrete eras does not really hold, and that the events employed as markers of different eras were rather arbitrary in comparison to certain key reforms and economic crises which affected the direction of the economy in more substantive ways. He cites as an example the reforms of 1965 (as do other economists) as being more relevant than the Constitution of 1963 official marks the beginning of market socialism, despite the fact that the Constitution of 1963 is to have signaled the beginning of market socialism. In the same vein, the constitutional reforms of 1971, according to Mencinger, entailed a stronger shift away from market socialism than the Constitution of 1974, which in effect institutionalized those shifts and formally ushered in the era of contractual socialism. In questioning the criteria used to define the changes across Yugoslav economic history, Mencinger also questions the basis for the adoption of certain historical narrative markers over others, as well as pointing to the way that these markers render other sorts of events as irrelevant:

> The above normative periodization provokes one to pose the question as to the reasons for the changes in economic systems. If we disregard the all-too-mystical 'speed of the change in socio-political relations,' we find that the issue becomes whether the reasons (and goals) in switching systems are primarily economic and social or primarily ideological and political.12

Mencinger begins going through the official historical reason for the shifts from one system to another, pointing to the way in which this distinction is blurred to portray a seamless narrative of continuous economic development. This included the manipulation of

denominators of economic success and failure, often implementing changes and reforms to
gloss over economic failure:

The shift from 'administrative-self-management' socialism to 'market-self-
management' socialism was gradual. The explanations and goals of the change
were obviously more economic-social than ideological-political. The proclaimed
goals of the economic reforms of 1961 and 1965 were to improve economic
efficiency, the reason for the reforms was the lack of efficiency. This is not even
changed by ex-post findings that the actual efficiency of the economy was
diminished after the reforms.13

Given the blurring of political and economic reasons employed to explain the shifts in
economic systems, Mencinger proceeds to provides an economic narrative in which he
outlines the consistency between economic indicators and official narratives of economic
change while also providing his own layer of interpretation. He concludes with an
evaluation of the economic efficiency of contractual socialism:

Contractual socialism, if we judge it in terms of economic efficiency, is worse than
its forerunners except in the case of administrative socialism. Persisting with this
system does not allow any possibility of attaining the same level of economic
growth in the next medium-term period as was achieved in the last decade without
relying heavily on foreign aid (debt). It is also especially unlikely that it would be
possible that economic development could rely on a more efficient form of doing
business, as inefficiency [in business] is its [the system's] most significant trait.14

In his evaluation of the era of contractual socialism in the economic terms of efficiency,
Mencinger tries to reclaim Yugoslav economic history from official history writers.
Mencinger was among those economists who did not believe that reform of contractual
socialism was possible, especially because no one had recognized the root problems of

13 Ibid., p.29.
14 Ibid., p. 33.
contractual socialism and self-management socialism in general. Mencinger connects the crisis of the 1980s with the failure of contractual socialism as well as with the failure of self-management in general. These economic failures were the ones glossed over by favoring certain narratives over others, narratives which attempt to blur the boundary between economics and politics, between economic reasons and ideological ones. While Mencinger is not blind to the (official and unofficial) strategic use of economic explanation, Mencinger argues for the use of economic criteria to analyze the operation of economic systems as a means for evaluating the present state of crisis.

Mencinger's piece argues the need for economic analysis as a means of re-evaluating Yugoslav economic history and the roots of the crisis of the 1980s as well as re-evaluating the role of economic analysis itself. While he argues for a historically "more accurate" re-evaluation of self-management in general, others focused on one aspect of self-management or one key flaw which they tried to reform within the existing system. Of these sorts of positions I will focus on one that also entailed a shift within economic practice: namely, the shift of a group of macroeconomists to the study of entrepreneurship and the role of small business in bringing about economic growth. I will deal with these macroeconomists more extensively in chapter four, as their shift in economic knowledge and practice went far in guiding the direction in which the Faculty of Economics developed in the late 1980s and early 1990s, particularly in terms of professional practice. However, here I would like to simply sketch the origins of this shift, the economists involved, and the arguments they developed.

The shift to entrepreneurship, or the study of small business, began with the work of Dr. Tea Petrin, who is presently one of the professors at the Faculty of Economics. Her work focused on what was referred to as the market structure of the economy -- the factor or impact of the profile of companies that compose an economy on the efficiency of the economy itself. Petrin analyzed the role of "integration processes" within the market structure, one of the characteristics of contractual socialism in the late 1970s. Integration
processes referred to the formation of economic firms which were in essence networks of smaller companies. As I had mentioned earlier, contractual socialism redefined the organization and dynamic of operation of the economy. In terms of the operational dynamic, consensus at every level replaced the criteria of adapting to market forces as the logic of economic planning. In terms of the organization, companies were broken down into basic organizations of associated labor (temeljne organizacije združenega dela). Companies then became building blocks of basic organizations of associated labor, which in turn could be built into more and more complex organizations. This was typical of the late 1970s, during which a number of companies became massive conglomerations of basic organizations with a particularly bureaucratic logic of operation.

Petrin's work focused on the processes of integrating larger and larger blocks of interlocking basic organizations and the sort of effect that this had on the operation of these companies as well as on the efficiency of the economy in general. Presuming that the market structure has a decisive effect on the efficiency of companies and the economy, Petrin argues that these integration processes which allow for such large companies are inherently inefficient, drawing comparisons between the average size of companies and economic growth across countries:

The fact that the average size of our units of production, which is twice that of units in developed countries, implies: first, assuming that all countries have free access to technology, the Yugoslav industry is lagging behind modern international industry not because of the lack of large units of production but the lack of small units of production. Second, falling returns on account of size is decreasing the efficiency of our industry.15

This lack of smaller units of production was what later was referred to as the "socialist black hole" (socialistična črna luknja) and argued to be one of the key obstacles to

efficient economic growth in the industrial sector. What is interesting to note here is the changes in arguments used to criticize the formation of large firms by way of integration processes. In the late 1970s, when Petrin first began to write about the significance of the lack of small companies, her critique was expressed in socialist terms:

As the producers with considerable market power will be able to realize a monopolistic profit in the long run, it can happen that not only workers but organizations of associated labor will support the concentration of social capital because they may see in this the means to improve the material, social, and cultural conditions for their work and their life. The partial improvement of the material, social and cultural conditions for the work and life of a limited number of working people -- those who are employed in the large organizations of associated labor with monopoly power -- cannot be the aim of our socialist self-management society. The improvement of the work and life circumstances on the basis of non-capital income is inadmissible because it is this very income that is the main source of unjustified social differentiation.16

While in 1979 Petrin expresses her arguments by evaluating the effectiveness of the market structure to attain the goals set for self-management society, in 1983 her arguments focus on the lack of economic efficiency of socialist industrial policy manifest in the lack of small companies as the basis for restructuring the Yugoslav economic system:

It is characteristic of socialist economies that governments that came to power wished to set in motion the quickest industrialization process possible. They worked from the assumption that to attain this goal they would need modern technology, which in turn required a large concentration of capital -- assuming that modern technology is efficient only when implemented in large-scale operations. That is why they looked upon small organizations as something outdated which were to be done away with as soon as possible. This sort of view and the market

16Tea Petrin, op. cit., p. 149.
structure which informed it are the causes for a whole series of problems which we
now are dealing with in the economies of socialist countries. 17

Petrin's assessment of the inefficiency of the socialist system allowed her to evaluate
socialist industrial policy in terms of economic efficiency. However, here she also extends
her evaluation of the inefficiency of socialist industrial policy to the way that this policy is
maintained, despite attempts at reforming market structure. Instead of approving subsidies
to small firms, Petrin argues that the issue of market structure and lack of small companies
speak to the need of overall restructuring of the economic system.

The influence of foreign competition would, together with the free entrance of small
firms into the economy, allow for the formation of many technologically efficient
organizations and do away with the monopoly of the home market maintained by
companies too large for the home market. While the influence of foreign
competition would increase with more relaxed foreign trade, we would achieve free
entry and exit of firms only if all organizations had equal conditions for conducting
business, no matter what their size. Here equal access to social capital and foreign
means of payment and a different means for establishing a company would play an
important role. 18

Petrin's analysis of the implications of the socialist black hole was the first of a
number of research projects conducted by a certain group of economists who began to
focus on the causes of the inefficiency of self-management, thus centering their inquiries on
the issue of the role of individual companies. As I will outline in detail in chapter four, the
increased focus on the role of small firms on economic growth (in theory) began to extend
to a shift in the practices of economists as consultants, practices in which the issues of

efficiency and competitiveness became the basis for arguing fundamental economic reforms. In the next chapter I will portray the way that this shift occurs in the case of privatization. In tracing the history of the debate on privatization, which goes back to the late 1980s, I will portray how privatization legislation was connected to debates about the inefficiency of socially-owned property, and what occurred to these debates -- and to the role of economists -- when privatization became an issue of Slovene nation-building.
CHAPTER THREE: PRIVATIZATION

Mencinger: I would agree that capitalism was formally introduced in Slovenia as well as Yugoslavia with the Enterprise Law, a law passed in late 1988. This law proclaimed relations of capital instead of relations of self-management in that it declared that the person who had capital could be an owner, not the person who was an employee.1

The above is an excerpt from an interview conducted with Dr. Jože Mencinger, professor of economics at the Faculty of law, researcher at the Economics Institute at the Faculty of Law, and Slovenia's first vice-president for economic affairs in the DEMOS government elected to power in April, 1990. Dr. Mencinger was also the person publicly most associated with the first Slovene privatization proposal that was to replace the Yugoslav Enterprises Law, as well as one of the key persons involved in the debates surrounding the issue of privatization. As I had mentioned in the beginning of chapter two, the passing of the Enterprises Law by the Yugoslav Federal Assembly in 1988 is considered to have inaugurated Slovenia's transition from socialism to capitalism. Working from the assumption that the shift from social property to private property embodied the key difference between the two economic systems, privatization came to represent the economic transition and later, the transition as a whole.

This chapter will present an account of the debates on privatization from the late 1980s onwards, outlining what occurred to those debates -- and to the role of economists as well as to the role of economics -- as the process of privatization became part of Slovenia's progress toward economic and political independence from the rest of Yugoslavia. To do this I do not plan to focus on privatization (and the Enterprises Law of 1988) as being the turning points of a transition between socialism and capitalism. Instead, I will explore the connections between the writing and passing of the Enterprises Law with the debates of economists concerning the inefficiency of social property of the late 1980s. In addition, I

1Interview with Jože Mencinger.
will present and analyze the way that privatization models developed in 1989 and 1990 as privatization became one of the key reforms being prepared for an independent Slovenia. Finally, I will trace the roots of the parliamentary impasse that delayed a Slovene privatization law for over a year and a half. By focusing on the different social actors involved in shaping the debates, I will begin to analyze the shifts in relations among the roles of privatization, of economists and of economics as they begin to preclude other means of interpreting the broader processes classified as part of the "transition."

**The role of social property**

In the previous chapter I made a distinction between two different sorts of analyses that economists tend to make: critiques of the system as a whole, and critiques of the implementation within the system itself. Within the category of critique of the system itself, some economists would focus on one aspect or characteristic of self-management socialism which would represent for them the key flaw of the system or its inefficiency. For a certain group of economists, this was the issue of socially-owned property, or social property, within the self-management system. Actually, the word "group" in this context is misleading because by this I do not mean to imply that these economists thought alike. In fact, these economists had little in common besides their critique of social property, including the sorts of conclusions (if any) that they draw from their critique.

What is social property? Social property was unique among the countries of the socialist bloc, distinct both from privately-owned property and state-owned property. It was one of the characteristic features of self-management socialism brought into being with the Constitutional Law of 1953 in which state property (the private property which had been "nationalized" by the state after World War II) was transformed into social property. Social property belonged to no-one and everyone: its distinguishing feature (if "property"
would be the proper term anymore) was not who owned it but who managed it, which, with the inauguration of self-management socialism, meant the workers. Social property to some degree meant doing away with the notion of property relations in general. Networks of decision-making were to be decentralized, with the responsibility of managing the firms and factories falling directly upon the shoulders of the employees. The issue of ownership ceased to be a relevant criteria when it came to questions of economic management. It was replaced by the criteria of employment, as workers (formally) took center stage, with the Party state apparatus in an advisory role. As Tito had declared when the Worker's Self-Management Act was passed by the Yugoslav Federal Assembly, self-management was to be a system that would go beyond centrally-planned socialism and fulfill the old slogan "Factories to the workers!" The state and the Party were to relinquish their central roles of control and ownership of the economic system.

The postwar economic history outlined in chapter two revealed that Yugoslavia never attained pure self-management socialism and that the Party state apparatus remained a problematic issue. Despite the fact that social property did not fully realize itself in reality and as such did not fulfill its intended function, economists critical of self-management singled out socially-owned property as the key to self-management's ills.

However, different economists ascribed different flaws to social property. For some, social property embodied the impossibility of a third way between socialism and capitalism, between state property and private property. Social property as a concept meant the negation of property relations and represented the inherent inconsistencies of the self-management system. This was the argument of Dr. Ivan Ribnikar, professor at the Faculty of Economics and presently a member of the board of the central bank of Slovenia. He was one of the few professors that specialized in finance and banking before the late 1980s, which to some degree was understandable, given that Yugoslavia never had a capital market and had very few commercial banks throughout its 45 year history. Ribnikar developed a theory referred to as the theory of čudežne finance, or eccentric finance, which
he employed to describe the operation and maintenance of Yugoslavia's financial system and the economy at large. The problem of Yugoslavia's finances, according to Ribnikar, lay in the contradictory nature of social property:

It is typical of social property, the dominant form of property relation since the early 1950s, that the owner of a company is neither a physical or legal entity. A company, or however it is referred to, was a legal entity and owned everything in it, while we resolved the issue of the ownership of the company itself in an apparently radical and an altogether different fashion. We proclaimed the existence of social property. We know that the owner of a company is the one who invests his or her wealth in it, which becomes 'equity' for the company, or 'equity capital.' The identification of this person is crucial, as this person must be compensated for the risk that he or she has taken (he or she does not receive an agreed upon sum for his or her investment but is compensated by means of the distribution of the company's profit; if there is a loss, the long-term investment is reduced; in the case of liquidation of the company, he or she is last in the distribution of the company's assets). 2

The lack of an investor qua owner in the case of social property -- a role which Ribnikar contends to be universally necessary for a company to function -- is the key to the inefficiency of self-management, a flaw which affects the entire economic system, particularly the operation of the financial sphere:

Social property does not recognize any of this. It does not, for example, recognize uncertainty, and if there is no uncertainty, then there is no need for equity capital and then there is no need for someone to make long-term investments into a company that is being established or that is expanding. It is only in keeping this in mind that we can understand that a company can be established and maintained by

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way of loans and credits as the only source of income. And it is only in this fashion that one can render the issue of equity capital irrelevant.³

By disregarding the need for someone connected to the company in some way (i.e. the owner) who take upon him- or herself the risk of investing in a company and to either profit or lose in the company, self-management socialism had written off the traditional sources of financing a company's operation. What sources of investment were available under self-management?

As I had mentioned earlier in chapter two, during the era of market socialism in the 1960s a few commercial banks appeared, yet they ceased to exist with the coming of contractual socialism in the 1970s. In the case of the banks this meant a shift from being profit-oriented to service-oriented, meaning that credits or loan-giving policies were defined by consensus and not by the probability of profit and return. Banks did not decide for themselves which companies they would finance and which they would not, but operated according to guidelines defined by others. Loans were accorded to companies deemed "needy" by "non-economic" criteria, despite the fact that banks may incur losses as a result of these sorts of loans policies. As a result, companies who continually ran into financial trouble were invariably bailed out by banks. As such, Ribnikar contends, self-management proved to be utterly lacking in self-sufficiency, as it had no means of financing itself:

It is a third economic system...inconsistent, illogical...It requires constant non-institutional intervention on the part of the state, politics, or the government in the economy so that the system would not show its flaws (normally institutional interventions were not allowed...it was considered to be a recurrence of statism). It [the system] must show that it is more efficient than a centrally-planned economy and more socially effective than a market economy. This was possible to maintain for quite a while -- of course at increasingly greater costs which were passed on to future generations. When this was no longer possible and when it did not interest

³Ibid., p.8.
people whether this economic system was more efficient than a Soviet-type economy anymore but instead they looked to Europe where states are socially conscious (despite occasional intermezzos of conservatism); when this occurs, the collapse of the system begins.4

As one can gather from the above citation, Ribnikar develops an analysis of the breakdown of self-management as precipitated by the increasing financial costs of maintaining the self-management system afloat through the continual contributions from the banking sphere. While Ribnikar’s main arguments are based upon the connections he draws between social property and the financial sphere, I would like to call attention to another connection that Ribnikar elaborates, namely the connection between the financial sphere and finance as an economic discipline. Ribnikar argues that the neglect of the financial sphere by policymakers -- or, to be more specific, the failure to see the abuse of the financial sphere as a systemic problem -- with the neglect of finance as a discipline. Finance and banking were never taken seriously as part of economics, according to Ribnikar, and never less so than when banks bankrolled companies without a thought to long-term repercussions. Or, if I may paraphrase the words of one of the Faculty of Economics’ former deans, most economists and almost all policy makers failed to take into account the fact that objective economic laws govern the sphere of finance as well.

Ribnikar has gone far in restoring the role of space of finance as a necessary part of economics as well as making a space for himself, as monetary economics and finance have replaced political economy as the most popular and most lucrative field of study at the Faculty of Economics.

Ribnikar’s critique was based on the argument that a system could not function (financially or otherwise) if it lacked operational (i.e. non-social) property relations, as social property did not embody the sorts of relationships necessary to maintain an economic system. Another overlapping set of critiques instead gauged the functioning of social

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4Ibid., p.6.
property in terms of economic efficiency. Once again arguing that property relations were at the heart of an economy, some economists turned to evaluate the efficiency of social property itself. What sorts of results could one expect of an economy whose relations and activities are defined by the nature of social property?

These sorts of writings and debates are linked to broader ones of socialism's economic efficiency which I sketched out in the previous chapter. The urgency of attaining efficiency in the face of economic crisis became stronger through the 1980s as economists began to evaluate the economy solely in terms of economic efficiency. They also extended this criterion to the notion of social property, a concept which not only outlined responsibilities in property relations but, given the intricacy of the social engineering of the 1974 Constitution, was also the nexus of a complex socio-political system. Despite social property being one of the constructs central to self-management, socialism's economic "failure" allowed a space for the economic critique of self-management and social property:

Socialism was to do away with the weaknesses of a capitalist market economy, however socialist economies are less efficient than capitalist ones. An economy in which there is "capitalist exploitation" is allocatively more efficient that the economy that does not have it. An economy which allows for the private ownership of the means of production is dynamically more efficient that the economy in which this is forbidden. The problem of Marxism and of the countries whose development is based on Marxism is that they place too much emphasis on property as the source of inequality and on neglecting that property is also a factor of efficiency. The attempts at reform of socialist economies so that they would achieve the efficiency of capitalist economies is destined for failure; the economy will either be transformed into a capitalist one or will remain inefficient.5

Jože Mencinger elaborates an argument working from basic theories of production in which economic efficiency is attained when production of a certain amount is achieved using a combination of production factors at the lowest cost to oneself. An economy is efficient, Mencinger goes on to explain, when there are no obstacles to attaining this optimum combination. The restricting of ownership rights is one such obstacle, which Mencinger views as a product of ideology (determined by non-economic criteria). One example of such a hindrance is what Mencinger refers to as zemljiški maksimum, or the maximum amount of land that an individual could own for farming:

The most glaring example of this sort of obstacle is the land maximum. It is an economically harmful and socially, political, and ideologically superfluous relic of the 'primitive fear' on the part of socialist countries of the 'restoration of capitalist relations in the villages,' a fear which originates in Marx's and Engels' erroneous predictions of capitalist concentrations in agriculture...Of course it would be naive to believe that Soviet theorists in the 1930s or our theorists after the war thought that kolkhozes would be more efficient than farms or artisan workshops. Collectivization and nationalization of these non-capitalistic forms of production was aimed at the elimination of social pluralism and of potential political competition.6

Mencinger considers social property (as did Ribnikar) as the absence of property rights, and thus a hindrance to economic efficiency. For him there was no possibility of effectively reforming socialism without doing away with social property, one of the cornerstones of socialism. For Mencinger, socialism -- or self-management in the case of Yugoslavia -- could only become more efficient if it ceased to be socialist.

While both Mencinger and Ribnikar argued for doing away with social property entirely, others took a different view of social property and prescribed different measures

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6Jože Mencinger, op. cit., p. 23.
for reform. Among these are the economists who looked to social property not as an embodiment of a particular sort of property relation but of as a management practice.

For example, Dr. Tea Petrin's work focused on the role of market structure on the efficiency of self-management, writing about what she termed the socialist black hole or socialistična črna luknja. The socialist black hole referred to the lack of small companies in Yugoslavia's market structure. Investigating the impact of the integration processes of the 1970s, Petrin argued that the formation of massive conglomerations of basic organizations of associated labor had a negative effect on the operation of the economy. The existence of large companies made it difficult for small companies to survive despite the fact that large companies were more costly to maintain than the smaller ones.

Since 1978 Petrin had been calling for structural reforms that would allow for the flourishing of small companies, and in turn (in her opinion) the flourishing of the economy. By the mid-1980s, her work became the basis for the work of some of her colleagues, who also began to focus on the state of small business in Yugoslavia, or drobno gospodarstvo. Sharing in Petrin's main premise which argues for a connection between market structure and market efficiency, these economists also began to focus on the efficiency of social property in a different way. Instead of equating efficiency with a particular sort of property relations, they equated economic efficiency with a particular sort of market organization and structure. Their research and writings centered upon the ways to optimally restructure social property, looking especially to the catalytic role of small business in encouraging economic growth; Dr. Aleš Vahčič described the significance of the small business sector in this manner:

If we look at the problem of small business from the macroeconomic point of view, we are not talking about artisans or groups of people who have a special interest in small business, but we are speaking about the Yugoslav economy as a whole, and we ask ourselves how we can transform the Yugoslav economy into a modern economy. From the macroeconomic point of view small business is that essential
sector of a market's structure which is practically nonexistent in Yugoslavia. It is that sector of the economy whose companies employ between 10 and 100 persons and which in developed economies make up 30% of the economy. Without this sector no market economy can function efficiently, and this holds in the case of Yugoslavia as well.\footnote{Aleš Vahčič. "Gospodarska Struktura, Drobno Gospodarstvo, in Socialistično Podjetništvo." \textit{Teorija in Praksa}, v.25, no. 3-4, pp. 394-397, p. 394.}

Dr. Vahčič is a professor at the Faculty of Economics where he formed part of a group of macroeconomists who shifted to the study of economic practices of individual companies. He believed that changes at this level were the key to stimulating economic growth. While in "developed" countries small business accounts for 30% of the economy, in Yugoslavia it amounted to less than 10%. Expanding the small business sector of the economy to 30% would require changes of the economy of an unprecedented scale:

Let us assume that in the next ten years we would like to restructure the Yugoslav economy so that we would increase the percentage of those employed in the small business sector from 10% to 30%...This implies that almost all of the net increase in employment over the next ten years must occur in that business sector and that the rate of growth of employment in this sector should be around 17% while the rate of employment increase in the rest of the economy should be only 1%. From this we can see what sort of dimensions we are talking about...we would have to create approximately 80,000 new companies over the next ten years, or 8000 a year.\footnote{\textit{Ibid.}, p. 395.}

Furthermore, the 80,000 new companies that Vahčič called for are not to be businesses with one to five employees, or "micro-companies." Yugoslavia had almost too many of them. Instead, these were to be flexible companies that employed between 10 and 1000 workers, that would be capable of adapting to market trends and newer technologies. In short, if these companies were to be the engine of Yugoslav economic development, they needed to be modern, adaptable, profitable companies: all that the majority of Yugoslav...
companies were not. The success of these companies did not lie simply in their finding an optimal production level:

Experience tells us that successful plans cannot be bought or ordered from a research institute or a company. A profitable plan is a matter of a successful entrepreneur... We in Yugoslavia should take into account the experiences of creating market successful companies on the part of countries with an efficient market economy. These companies are created by businessmen or groups who have the idea, the knowledge and the perseverance to establish a profitable organization. If we don't invest funds in the training of businessmen or initial groups, we will not get quality programs... We have to realize that funding the training of businessmen can be very expensive... they [the investments] will pay off when these businessmen will create new profitable companies and with them well-paid jobs, and thus begin to pay contributions, taxes and positive real interest rates on social funds.  

According to Vahčič as well as others advocates of small business, property relations were not the key to a company's success. What mattered was whether the company was managed successfully. The issue was not how to introduce private property but instead how to awaken, channel and expand the business sensibilities of self-managed workers so as to transform them into successful entrepreneurs. Equating economic efficiency with profitability, Vahčič was one of the key economists advocating the development of and support for socialist entrepreneurship.

When I first met Dr. Vahčič at the Faculty of Economics he explained that the study of business and entrepreneurship as emerged as factors of economic development. He recounted that from the mid 1980s onwards, a group of economists at the faculty were working through official state channels to draft and implement a program of long-term development encouraging the growth of small business. He argued that attempting to

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9Ibid., pp. 395-6.
reform the system from within was more effective than confronting the issue of private property. He gave me a copy of a document prepared by his colleagues Dr. Janez Prašnikar and Dr. Tea Petrin, which was to be a proposal for legislation concerning the establishment of small enterprises in the social sector.

I was surprised to learn that as early as October 1985 these economists had been given official encouragement at the federal level to produce a document to be the platform for reforming self-management. Even more interesting are the sorts of changes that the document proposes. While the text does not broach the issue of social property versus private property, the authors' intention is to endow self-management and social property with many of the characteristics of capitalism without introducing private property. The introduction of small business and all that it implies would render the questions of property ownership irrelevant. This would be as great a change to the Yugoslav economic system, if not greater, than the creation of 8000 small companies per year.

The whole document hinges upon the necessity of introducing small business into the self-management economy and the benefits that the success of small businesses would bring:

New organizations are not only important in the case of market economies but are emphasized in theories of self-management economies as well if they are based upon the premises of social ownership of the means of production and self-management. The entry of new organizations is advocated for two reasons: first, as a means of attaining an efficient allocation of the work force, and second, as a means of increasing production. Theory tells us that given that the aim of a self-managed organization is the maximization of personal income per worker, such behavior may lead to the inefficient allocation of the means of production in the short run. The entry of new organizations can compensate for the behavior of self-
managed organizations in that this will effect a leveling of marginal output of labor among different organizations.\textsuperscript{10}

The need of small business is linked to the causes that these economists ascribe to the inefficiency of self-management derived from analyses of Yugoslavia's market structure. Given that small companies are virtually nonexistent and are very rarely established, large companies could operate at high costs with no threat to their security. According to the authors, the introduction of small businesses would also add the element of competition in different sectors of the economy, which would in turn galvanize companies that would otherwise never feel the need to change.

If there is no competition in an economy, then the mechanism of natural selection cannot function, where the more ingenious and efficient organizations succeed on account of the less inventive and efficient organizations. If all other factors in an economy remain unchanged, the economy becomes unsuccessful in technological development and the size of companies becomes less than optimal, prices in the long run do not approach competitive prices, and so on. From the macroeconomic point of view it is expected that the advancing of competition promotes economic growth and price stability, equalizes the distribution of income and improves the foreign balance of payments. Therefore, the competitive and efficient sectors of an economy bring important economic benefits. From the microeconomic point of view, one can expect that competition will prevent the negative effects of monopoly: high prices in the case of small-scale production and the lack of progress and dynamism.\textsuperscript{11}

Linking the introduction of competition by way of small companies with the achievement of improved efficiency, the authors set the stage for evaluating the existing legislative

\textsuperscript{10}Ibid., p. 11.

framework. The effectiveness of competition demanded the fulfillment of certain requirements: first, that there be enough companies to allow for competition; and second, that both entry and exit from the market became simple and unhindered processes for all companies. With these criteria in mind, the authors provide an enlightening critique of the regulations that define the establishment of new businesses, and come to the conclusion that laws appear to be written to protect the interests of existing companies.

A careful review of the then existing legislation proved to the authors that competition was not considered a valid operating principle. For example, an individual who wanted to establish an enterprise (which would of course be then socially-owned) was accepted only if his or her request coincided with a strict set of acceptable reasons for embarking on such a venture. (The state was not restricted by these requirements, which led to the establishment of many a "political" factory.) Competing with existing companies was not a valid reason; in fact, the regulations were both overly complex and arbitrarily vague, standing in stark contrast with legislation valid in the 1960s. Furthermore, the meager legislative support for new enterprises as well as difficult access to financing spoke more of the protection of existing enterprises rather than placing new enterprises on an equal footing with established ones.

In the spirit of introducing competitiveness into the self-management economy, the legislation proposed to protect and foster the growth of entrepreneurs and small business while at the same time subject all economic actors to the same objective "market" principles. While not calling for a wholesale change in the system as did those who advocated the return to private property, the proposal barely stopped short of subjugating the entire self-management system to the principle of competitiveness. The introduction of small business was to be the end product of a long-term development project aimed at fostering and implementing entrepreneurial socialism.

In comparing the different critiques of social property that I have mentioned here, one realizes that all of them evaluate self-management according to the standard of
capitalism. However, here they are not comparing two economic systems so much as measuring both according to one standard of economic efficiency. They consider their critiques of self-management to be based upon supposedly neutral economic standards that provide them the room and position from which to speak of the defects of social property as well as of the Party's control over the system as political intervention in matters that should be left to operate according to economic laws. While the different sorts of critiques call for different strategies of reform and change, I would hazard to say that they would identify similar defects in social property. However, their identification of technical priorities create differences that, as time progresses, also become ideological and political ones. I will trace these developments as the privatization debates unfold in Slovenia.

Mikulić, Marković, and Yugoslav Privatization

Given the very orthodox approach to reform on the part of the Yugoslav government it is not surprising that the federal legislative proposal to introduce small business as a long-term development strategy was not passed. From the death of Tito onwards, Yugoslav economic policy consisted simply of attempts to stabilize the economy and superficial reforms. However, the unrelenting economic crisis and the ineffectiveness of the stabilization programs of the early 1980s effected a shift in the official Party discourse by the late 1980s. For example, by 1986, at the 10th congress of the League of Communists of Slovenia, Party members openly referred to the inefficiency of the economy with social property, and stated that economic efficiency was one of the main conditions that a system had to insure for its citizens. Economic efficiency became the main issue of the congress, yet not at the expense of self-management.

12Miroslav Glas. "Kako k Učinkovitem Samoupravljanju?" Teorija in Praksa. v. 23, no. 7/8, 1986, pp. 595-600, p. 595. The right to economic efficiency was emphasized by Milan Kučan,
The 10th Congress firmly emphasized that the principles self-management and the
equality of producers are not contradiction to the principle of economic efficiency;
on the contrary, they must work together. The starting point would be the reliance
on our own strengths on all levels and in all forms. This concept of self-reliance,
including explicit social support and encouragement for our most successful
economic subjects, became a sort of trademark of the League of Communists of
Slovenia...this conception entails counting on one's own material capacities, on the
skill and creativity of one's people, on the activation of as-yet-untapped potentials of
self-management, as well as emphasizing that the socio-economic standing of
workers and kolkhozes will depend solely on the results of their work and
business.\(^\text{13}\)

As one can see here, the Slovene Party had recognized the political importance of securing
economic efficiency and stability, but would do so only insofar as it did not interfere with
the principles of self-management. However, Dr. Miroslav Glas -- author of the review of
the congress as well as professor of economics -- argued that despite the continued crisis,
the Slovene congress (and the Party) did not understand the urgency and dimension of
Yugoslavia's economic problems.

Despite the fact that this direction proclaims itself as 'the essential lever and
condition for the fulfillment of the constitutional role of workers,' the claim seems
made without vitality or penetrative force.... They should decisively and critically
admit that economic efficiency was not considered a valid priority in the last ten
years and was discredited because of dissatisfaction with the 'laissez-faire' system
of the 1960s...For this reason it is hard to re activate market mechanisms, create
institutions necessary for the efficient operation of social market regulation. General

\(^{13}\text{ibid.}, p. 596.\)
declarations are not appropriate given the complexity of the tasks necessary to reaffirm the market; concrete action is necessary.\textsuperscript{14}

Attempts at stabilization continued at the federal level through the late 1980s, always stopping short of implementing reforms that would force the system to change and wean itself from its dependency on foreign loans. According to Franjo Štiblar, one of the younger colleagues at the Economics Institute at the Faculty of Law (or Bait's institute), the economic crisis of the 1980s and the policies deployed could be explained in terms of the main manifestations of the economic crisis that were to be dealt with: external imbalance (deficit in the balance of payments and long-term indebtedness), internal imbalance (climbing inflation), and the stagnation and fall in economic activity.

The priorities (first achieve external equilibrium, then internal equilibrium and growth through efficient economic activity) were set in 1982 by our foreign creditors when it was decided that a moratorium and a suspension of normal economic relations with the world would not be advisable. By 1984 and 1985 the first stage of stabilization was attained: we had a balance of payment surplus and our long-term debts had been successfully reprogrammed. All this was achieved at the expense of the living standards of the population and in spite of difficult conditions for foreign trade... By the end of 1985 we were to begin the second phase of stabilization program: the establishment of an internal equilibrium (bring inflation under control) as a fundamental condition for efficient economic growth and development. An appropriate strategy was laid out in A. Bajt's article... Today we know that those guidelines were not followed... And this is why in early 1989, three years later, we are still in the second phase...\textsuperscript{15}

\textsuperscript{14}\textit{Ibid.}, p. 597.
By the late 1980s, however, this same sort of diagnosis was expressed in terms of the Party's refusal to loosen its control over the economy -- no matter how harmful -- and its preservation of the monopoly of social property. This following editorial in Teorija in Praksa, one of the interdisciplinary social science journals of the University of Ljubljana, is quite explicit in making a connection between the Party's struggle to maintain its political power with the preservation of social property. The history and failure of self-management was defined in terms of the economy being subjugated to the political control of the Party.

It is possible to empirically prove that the fundamental factor that determined the direction and goals of socialist societies has been the subjection to and reproduction of the Party's political power and the egalitarian redistribution of goods, not production. The importance of preserving social property, of rejecting any attempts at reforming, or of any proposed abolition of socialism become understandable in this light. Political manipulations of social property and theoretical confusions concerning its definition...normally ended with over-used theses about the 'contradictions of social property,' or of the never ending project of the 'operationalization of social property' and continual debates on the subject of property appropriation and disposal.. 16

However, this pattern of reforms was definitively changed when Branko Mikulić replaced Milka Planinc as Prime Minister of Yugoslavia. While Mikulić was expected to be quite conservative and to implement reforms that would not endanger the status quo, in the last weeks of 1988 Mikulić passed the Enterprises Law through the Federal Assembly, thus ending the exclusivity of social property in Yugoslavia:

The reforms of the economic system proposed and implemented by the Mikulić commission do not share the characteristics of classical reforms of socialist economies and are essentially different from earlier Yugoslav attempts at

reform...the reforms are based upon the recognition that the basic problem of socialist economies is the issue of property relations, particularly the case of non-ownership in social property in Yugoslavia. With this statement and the implications drawn from it, Mikulić's commission has questioned the previously undisputed foundations of the economic system -- social property and self-management -- and indirectly shaken the foundations of the political system. It is the most important ideological breakthrough up till now, and the commission has also tried to evade the consequences of this.17

The Enterprises Law passed in late 1988 summarily listed the sorts of economic organizations that could exist in the Yugoslav economy alongside socially-owned companies. From 1989 onwards, the Yugoslav government allowed for social ownership, cooperative ownership, mixed ownership, and private ownership. The law outlined what sorts of organizations could legally exist under each form of ownership and determined who was to manage the organizations depending on the sort of ownership structure. While the law did not "do away" with social property and self-management (socially-owned enterprises continued to be managed by the workers), it allowed for the establishment and coexistence of different sorts of organizations with their distinct ownership structures.

On the one hand, the passing of this law has been hailed as the beginning of the end of socialism: for example, Mencinger refers to it above as the "biggest ideological breakthrough thus far." If we think back to the political developments of 1988 and 1989, we see that a great deal occurred in these years that set the stage for the events that would follow. Yet the Enterprises Law dismantled the monopoly of social property a full year before Slovenia legalized political pluralization in the form of political parties and elections.

However, looking back to the end of the citation above, in which Mencinger refers to the Enterprises Law as the biggest ideological breakthrough thus far, we read that

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commission has tried to evade the implications, political or otherwise, of the passing of this law. This is a common criticism of the Enterprises Law, namely its inconsistency with the rest of socialist legislation. The law was mostly positively viewed by economists when it was passed (and many were surprised that it was passed by the Federal Assembly of the time), especially by those who espoused socialist entrepreneurship. The law allowed for individuals to establish their own companies, and the companies could remain in private hands instead of them becoming socially-owned. This was to be a substantial boost for entrepreneurship. However, as Mencinger goes on to explain -- true to form -- the law does not account for the fact that private and social property (in his opinion) are irreconcilable. A capital market is irreconcilable with social property that has no identifiable owner, and a labor market is irreconcilable with self-management. How were the two to effectively coexist?

Why, then, was the Enterprises Law passed when it was? This is hard to ascertain, because a few months after the law went into effect, Branko Mikulić had to step down as prime minister due to protests against his stabilization program launched in early 1989. Mikulić was replaced by Ante Marković in March of 1989, and the continuity of a reform program was interrupted. Furthermore, the Yugoslav privatization laws had become pretty much a taboo subject among Slovene economists by the time I went to do my fieldwork in 1994. By then these laws were considered by the general public to have created sufficient loopholes for the shady -- albeit legal -- privatization of many a socially-owned company. So much surrounding the origins of privatization had become "politicized" that many economists were wary of discussing these laws with me. Some even pretended not to have known of certain laws about which they had previously written commentaries. While here I would not jump to "conspiratorial" conclusions, I would like to point to a rupture or shift which I will be exploring through the rest of the chapter that is linked to the silences around these laws. For example, in trying to explore connections between those Slovene economists writing about the introduction of private property and those who were writing
the legislation in Belgrade, I found it extremely hard to find out who worked in the Mikulić and Marković commissions, and even harder to verify the truth-value of these assertions made by these economists. It was quite difficult for me to stop looking for the "real" originary figures and instead focus on when economists would feel comfortable about speaking about these laws, and when they would not.

One of the reasons that my interlocutors offered for the passing of the Enterprises Law was the New Financial Agreement of 1988. As Yugoslavia's economic troubles continued, it was not able to keep up its debt payments nor halt the external debt's continual increase over the decade of the 1980s. Yugoslavia was able to begin negotiations for a second reprogramming of its external debt with commercial bank creditors on the condition that Yugoslavia would sign a structural adjustment agreement with the International Monetary Fund. This agreement was signed and funds were loaned to Yugoslavia if it was to comply with certain conditions. According to these interlocutors, privatization and market reforms comprised a significant portion of the changes required by the agreement, thus providing plausible reason for the sudden shift in federal policy strategy.

This to some degree makes sense in relation to the policy strategies of Ante Marković, Mikulić's successor as Prime Minister. In December, 1989, under the Marković administration, the Social Capital Circulation and Management Law, or Social Capital Law for short, was passed by the Federal Assembly. This law which, complemented the Enterprises Law, actually allowed for the privatization of social property, outlining the conditions under which social capital could be circulated, managed or sold. In this way some of the contradictions and ambiguity of the relations between private and social property, was redefined.

While...the new enterprise legislation opened the way to a pluralism of ownership structures, it is only with the Social Capital Law (Uradni List 84/89) that social property becomes the object of transactions of buying and selling. This law has also opened a formal path for the possibility of the privatization of social property
which has only with this year [1990] become a more official ideology of the federal administration. The path to this concession has neither been short nor simple. An ideological and political rupture came about in 1989 when socialism in Central and Eastern Europe lost any possible legitimacy and when other 'socialist' countries (primarily Poland, Hungary and China) began with their privatization processes. In countries in which 90% of the economic potential is in state (social) hands, the economic structure's normalization and the country's democratization are not possible without a broad process of privatization.18

The Social Capital Law was one of a whole packet of market legislation passed in December of 1989, preparing the institutional framework for a economic stabilization program launched by the Marković administration with the beginning of the new year. The passing of the privatization law and the radical shift in economic policy is interpreted as an effect of the ideological and political rupture that came about in Central and Eastern Europe. But whereas socialism suffered a loss of political and economic legitimacy in Central and Eastern Europe in 1989, in Yugoslavia socialism principally lost its economic legitimacy. While there were writings that explicitly wrote of the Party's illegitimate control of the economic sphere, this did not mean that the Party's dominance was affected by it. While the Party's membership had been declining throughout the 1980s, the political power of the Party remained unchallenged. Among the economists that I spoke to, most expressed their surprise at the change -- despite the fact that it was the most rational first step to take -- and the swiftness of change in all spheres in the late 1980s.

However, given the political changes going on in Slovenia in late 1989 and early 1990 -- here I am referring to the amendments of the Slovene constitution which accorded the republic with greater autonomy within the federation and to the legislation that allowed for the formation of political parties outside the Communist Party as well as the formation of DEMOS -- a federal program of systemic economic change could not have come at a

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worse time. Marković had set a reform program in motion that was to redefine the federation as an operating economic system while political pressures among the republics threatened to tear Yugoslavia apart. This was the case in Slovenia, where, after the first multi-party elections were held in April 1990 and DEMOS took command of the economy, serious plans were set in motion to draft and prepare legislation for Slovenia's economic independence from Yugoslavia. While almost everyone -- including Slovene economists -- awaited the results of Marković's program, preparations for possible independence continued through the fall of 1990 and the spring of 1991. Under DEMOS, Dr. Jože Mencinger, Vice-President for economic affairs, was in charge of the group working on macroeconomic reforms. He was the Slovene economist in charge of drafting Slovene privatization legislation that would continue the process set in motion by the Enterprises Law and the Social Capital Law.

In the next section I will explore the connections and discontinuities of the debates surrounding privatization in Slovenia during a time that Slovenes are deliberating and preparing for possible independence. What happened to the role of economists, of economics and of privatization once privatization became one of the reforms determining the shape of Slovenia as a nation? The following section will center on an interview with Jože Mencinger about his experiences as vice-president and his views on the unfolding of the privatization debate until privatization legislation was finally passed by the Slovene National Assembly in late 1992, after one and a half years of parliamentary stalemate.

Jože Mencinger and Slovene Privatization

I met Jože Mencinger the way that I had met most of the economists whom I interviewed. Realizing that the people that I knew socially did not mix in social circles with economists, and because economists were a relatively closed group of people, I found that I
had to somehow take the initiative and meet them in their own circles. I would usually go first to the library of the Faculty of Economics and check their electronic on-line catalog which would also catalog journal articles. I would read over a number of articles that I would select from the catalog as well as any newspaper articles that I had photocopied. Delo, the Slovene newspaper with the largest circulation, had a Saturday supplement which published longer articles written by Delo's journalists, an interview of the week, as well as articles written by non-journalists. Economists who were also broader public figures -- such as Aleksander Bajt, Ivan Ribnikar, as well as Jože Mencinger -- as well as politicians and intellectuals would write for Delo's Saturday supplement. I spent many hours at the microfilm machine at the Narodna Univerziteta Knjižnica, or the National University Library, choosing the articles that would then be photocopied for me by one of the library staff, as only the staff had access to the microfilm machines that could make photocopies. In any case, thus prepared, I called the Economic Institute of the Faculty of Law and asked to speak to Dr. Mencinger. Introducing myself as a graduate student from the United States, I asked if he would have time to meet with to talk about Slovene privatization, and he agreed to meet with me. We met at the institute which is housed in pre-war villa two blocks away from the Prime Minister's offices in one direction and the Slovene Parliament building in another. In one of the conference rooms of the institute Mencinger spoke to me about his experiences in preparing the Slovene privatization. They began in August of 1990, according to Mencinger, when the DEMOS government realized that the economic situation in Yugoslavia was such that they would have to begin planning possible independence. Mencinger explained that by the autumn of 1990, Yugoslavia as an economic federation had begun to fall apart, and the DEMOS government began to prepare legislation almost as if to protect itself:

Mencinger: Marković was a liberal man and in reality wanted to introduce the market. And in late 1989 had drawn up that economic reform -- the stabilization
program which was in effect a sort of shock therapy. When it was implemented prices began to fall rapidly and in April there was even negative inflation. Yet there were some technical mistakes in that program, and it soon became clear that it wouldn’t hold for very long. Yet we in the Slovene government at least indirectly supported the program. Though we continually complained and wrote memos to Belgrade demanding that certain economic policies be changed, we objectively supported them because we were successful in reducing taxes and so on...And some time around July of 1990 Marković made what I think was his crucial mistake, after which things could not hold any longer, and he raised state employee wages by 100%...because previously he had foolishly frozen them. When Marković doubled the wages of state employees, it meant that everyone else would raise them, and we knew that everything was going to fall apart. The only thing that held was the fixed currency exchange rate, seven dinars for one German mark. And here in Slovenia we were against this fixed exchange, and we demanded a change in policy or we would have to act on our own. There were no changes made, and the recession became more pronounced. After the new year we sent our first proposal concerning the distribution of wealth among the Yugoslav republics, how to proceed...this process is still unresolved. Right after the new year the Serbs committed what we refer to as the raid on the central bank. We began to write the laws for the central bank and so on; we began to prepare for independence. Yet our first unilateral act happened in June of 1990, at which time Slovenia decided not to contribute any more to the fund for less developed republics. The reactions were not that harsh; actually the Serbs reacted by imposing a tax on Slovene goods. After that, things began to happen gradually, and by the end of autumn relations had become quite strained. In October sometime we didn’t pay; more specifically we only wanted to pay the sales taxes which legally belonged to the federation. Negotiations followed with Belgrade, and it was decided that we didn’t have to pay
anything through the end of the year. But with 1991 no one paid anything; none of the republics paid their taxes. Gradually, Yugoslavia was falling apart, and as an economist I would say that Yugoslavia ceased to exist by the end of 1990. Taxes were not being paid, money was being printed everywhere -- by this I mean raids on the monetary system, not that they were physically printing money. After that customs taxes were imposed among republics, and in each republic a different kind of economic system was taking shape. With the new year we introduced our own tax system in Slovenia, and so on. Thus Yugoslavia had disintegrated in the economic sense, and this continued to unfold through the next year. The plebiscite held at the end of 1990 imposed upon the government the task of preparing for independence. Bavčar was in charge of organizing the project of independence. There were some 17 different committees that were preparing different technical things. My group was 5-2: macroeconomic secession...19

I have cited Mencinger's depiction of what went on during 1990 as a means of providing the sort of context in which preparations for drafting the Slovene legislation for privatization were taking place. In the course of one year things changed drastically. In late 1989 Marković launched a reform program with the full support of the international community, and by the end of 1990 republics were setting up tariffs on goods from fellow republics and developing their own economic systems. In Slovenia, official government committees were drafted for preparations of independence in early 1991 as a consequence of the plebiscite held in December of 1990, at which an overwhelming majority of Slovenes voted for independence as the last option if Slovenia's position within Yugoslavia could not be resolved in any other satisfactory manner. Returning to Mencinger's account, I wish to point to the fact that Mencinger and the other economists working for DEMOS were working on two ends during 1990: on the one hand they were following the events that

19Interview with Jože Mencinger.
were going on all over Yugoslavia as a result of Marković's reforms, and on the other they were preparing their own legislation. According to Mencinger, preparations began in late August with at least two other economists, Marko Simoneti and Uroš Korže, and by October the first privatization proposal was presented in Parliament.

The legislation that was presented was an improvement on the Social Capital Law which due to its brevity -- it is composed of only ten articles and is only a page long -- did little to provide more than the barest of outlines for the transactions of buying and selling of social property. The basic issues of who decides to sell, to whom the proceeds of the sale go, how to value social capital, who is to manage an enterprise with mixed capital, what role investment is to play, and to whom are assets transferred if an enterprise is liquidated are delineated in a matter of sentences. It was basically a law which declared the legality of the buying and selling of social capital without addressing a crucial issue: identifying of the owners of social property. It is for this reason that this law was criticized for allowing for "spontaneous privatization," meaning that the law allowed for the privatization of social property without prescribing which models or means by which a company was to follow, and which were not.

The Social Capital Circulation and Management Law in essence allows for "spontaneous privatization" but does not prescribe any possible models or means according to which individual companies could execute this process in practice. We will mention here a new possible methods of privatization which, based on their effectiveness in other countries, we have begun to look at: public sale of company shares; closed sale of company shares with a particular party; different sorts of credited sales via management buy out, leveraged buy out, seller-take back financing; purchase of company shares by company employees; and different sorts of leasing and franchising. May we also mention in drawing up this list that a
number of legal, financial and market conditions will be necessary if privatization is
to become an economic practice.\textsuperscript{20}

The legislation that Mencinger prepared was an improvement on the Social Capital Law in
that it outlined some of the legal ways that privatization was to occur. The proposed
legislation went through a first and second reading before its final version was to appear
before Parliament for a final discussion and vote in March, 1991. The identifying
characteristic of Mencinger's law was that privatization was to be decentralized. This was
to mean that the companies were to decide the time and means of privatization instead of
this being defined by the state. Of course, there was a deadline for presenting a
privatization plan to the state and the state was to supervise the process, but the practical
decisions were to be left in the hands of the company employees. This was also referred to
as autonomous privatization.

Mencinger's law allowed for various different means of privatization, the first being
the direct sale of the company to domestic or foreign buyers. In the case that the buyers
were the workers, they would have a discount in buying their own company. The second
was investing additional capital in a company in return for company shares, which was
referred to as \textit{dokapitalizacija}. The third involved converting company outstanding debts
into company shares, or debt-equity swap.

While different versions of Mencinger's law were debated in Parliament from
October, 1990 to April, 1991, it became the object of different sorts of critiques. Among
economists the critiques were often expressed in terms of the need for more legislation than
simply a privatization law. Privatization, especially if its aim was to improve the prospects
of a company, required the implementation of a number of legal and economic institutions
if it was to be done properly. Dr. Bogomir Kovač, a professor at the Faculty of
Economics specializing in management and political economics, was one of the advocates
of socialist entrepreneurship. He, like other advocates of entrepreneurship, supported the

\textsuperscript{20}Editorial. \textit{op.cit.}, p. 783.
introduction of private property in that it was one of the conditions that would help improve the efficiency of companies, yet he did not consider it the sole condition.

The central problem in effect is not in the sale of companies but in their reconstruction, their financial normalization and their entrepreneurial prospects. Here we must do away with two illusions: first, that a unilateral solution is possible, and second, that companies can be forced into it. Universal proposals do not take into account the particular conditions of individual companies...\^{21}

Adding to the critiques that warned against the overestimation of privatization's effectiveness in resolving the problems of socially-owned companies, stories had begun to circulate about wild privatizations and the sorts of dubious dealings with social property that were occurring because they were not forbidden by law. (One has to keep in mind that the Enterprises Law and the Social Capital Law were the only legal guidelines for privatization in Slovenia until a Slovene law was passed in November, 1992). Economists as well as others called for additional laws to protect social property until it was privatized.

The debates among economists continued and many different privatization plans appeared in technical journals and newspapers. However, the tone of these discussions changed radically in late March, a few weeks before Mencinger's law was to come to a vote in Parliament. Dr. Jeffrey Sachs, the famous globe-trotting, Harvard economist who had been consulting Marković earlier on his stabilization plan, had come to Slovenia as an advisor to the DEMOS government for a number of economic reforms. When he came in early April of 1991 he focused on the Mencinger law that was to be presented before Parliament. Sachs did not at all agree with Mencinger's proposed plan, and had written an open letter to the Slovene houses of Parliament expressing his views on what were the key issues that privatization should address and how they should be resolved. Once in Ljubljana, Sachs met with Prime Minister Lojze Peterle and his cabinet to debate the privatization plan they had drafted. The following day Jeffrey Sachs addressed the three

houses of Parliament in a joint session to debate Mencinger's law and proposed his vision of how privatization should be carried out. Mencinger happened to be out of town, and was not present at this joint parliamentary session.

Mencinger: If I were to provide a formal description, the first proposal was decentralized, gradual and based on payment -- we did not want to consider privatization by distribution. The second proposal was just the opposite, in my view: it was centralized, quick, and distribution based. There were differences wherever you turned. It [the first proposal] being decentralized meant that companies would privatize themselves, and the state would simply supply the legal regulatory framework. Privatization would be gradual because people would acquire their capital gradually. This means that someone had to invest or buy at least 10% of a company's assessed value for which that person or those persons received shares in the company. The rest of the company's assets are transferred to a state fund as preferential shares, and those who first bought into the company must increase their share of stock from the state fund every year. And say, if they expand their share of stock by 10% each year, in five years they will have become leading shareholders of the company...And if they are not able to expand their share of stock, the remaining shares continue in the state fund and will be privatized as state property.\(^\text{22}\)

Mencinger here outlines one of the possible methods of privatization under his law which is referred to as \textit{dokapitalizacija}, to a process by which someone investing fresh capital in a company becomes a shareholder in proportion to the investment made and is given preference as a potential buyer. From that moment the investor has a certain number of years to expand his or her share of stock within the company to then become de facto majority owner of the company. I have chosen this citation of Mencinger's as a starting

\(^{22}\)Interview with Jože Mencinger.
point from which to elaborate the differences considered to exist between the prevailing concepts behind both Mencinger's and Sachs' privatization proposals.

When Sachs addressed the joint session of Parliament he did not outline a detailed plan but spoke of the main goals of privatization and the sort of reforms he believed were most effective in achieving them. After this visit, Sachs returned to Slovenia that summer with a group of experts\textsuperscript{23} at the invitation of DEMOS government to draft proposals for privatization and currency reform. While the privatization reform did not pass through the houses of Parliament, the currency reform did.

Going back to the differences between Sachs' and Mencinger's privatization laws, the central difference lay in the way that each program dealt with the issues of ownership and management. For Sachs, the most important goal of privatization was that the identification and transfer of ownership of social capital was to be immediate, and the basis upon which decisions about management would be made. For Mencinger, on the other hand, the continued management of the company was of key importance, and it was those who managed the company who would decide when and on what terms the company was to be privatized. In effect, Mencinger's law as it was proposed in April did not question who was the owner of social property, and did not connect the issue of ownership with the issue of deciding upon the sale of social property. Only in one case was the ownership of social property considered an issue at all, and it was in the case of companies or businesses that were known to have identifiable owners before World War II and whose property had been confiscated by the state, or nationalized. In this case legislation was being written (by Mencinger and DEMOS Justice Minister Rajko Pirmat) to regulate how previously nationalized property would be returned to their previous owners, or be denationalized. Of course these were complex proceedings, as these were reparations on injustices inflicted 50

\textsuperscript{23}This group included Jaime Jaramillo and David Lipton, who is presently under-secretary of the US Treasury. They also worked closely with Boris Pleskovič, a Slovene economist who took a leave of absence from his World Bank post in Washington, DC to work as an advisor for economic affairs for Prime Minister Peterle.
years ago. However, Mencinger and others made a strong distinction between property that was to be denationalized and property that was to be privatized.

As Mencinger described it, Sachs' proposal for privatization was centralized, quick and distribution-based. It suggested the immediate privatization of enterprises by turning them all into joint-stock companies whose shares would be distributed among different groups and institutions: a percentage would be distributed among the company employees, another to the republic retirement fund, another to commercial banks, and a large percentage to among all adult Slovenes. Privatization thus was not something a company would decide to do, but was demanded to do by law. For Sachs the most immediate goal of privatization was establish who were to be the owners of a particular piece of social property, on the basis of which a board of directors would be formed. This board would then appoint and supervise the management of the company. Shares were to be distributed among all adult Slovenes, as social property, it was argued, was the property of everyone and no-one. According to Sachs, Mencinger's law gave too much leverage to the employees of a company, and especially to company managers who as managers of a company (along with the workers' council) would act as de facto owners of a company without the ownership of the company be established.

Upon returning to Ljubljana, Mencinger heard of Sachs' address to the joint sessions of Parliament in which he critiqued Mencinger's privatization plan. Given that Sachs had been invited to work on a new privatization plan by the DEMOS government and that Sachs' plan was based on positions that Mencinger could not reconcile with his own, Mencinger resigned from office. He returned to his former position as professor at the Faculty of law and researcher at the Economics Institute at the Faculty of Law, which he presently directs.

Mencinger: I am a man who believes in the system. As an economist I believe in the selfishness of people and the rationality of the actions of individuals, and I
believe that you have to build a system in such a way that on account of this selfishness and rationality, everyone will be a little better off. This is the essence of an economic system. That is why in the case of Slovenia I thought that the most important thing was a sound economic system, the macroeconomic framework. That people will know what the rules of the game are. You have to implement the rules of the game, not try to substitute people or persecute them. "The reds were previously in power, now it is my turn and I will be in power." In principle I think that this misses the mark.24

Mencinger's comments above are an example of the way in which privatization, in spite of the best efforts of economists, ceased to be simply a technical issue. The debates about the sort of privatization that should be carried out became very heated after Mencinger's resignation and the subsequent appearance of Sachs' group of advisors to the DEMOS government on the scene. A great deal of this had to do with the way that Sachs' model of privatization was interpreted. One of the critiques made of Sachs' plan was that Sachs did not make any distinction between privatization in Slovenia and privatization in any other socialist country. This was not only interpreted as neglecting the particularity of the situations of different countries, but also by some an underestimation of the Slovene economy and of Slovene business.

Sachs deals with the Slovene economy as if it were the same as all the other Eastern European economies, and he works from the assumption that privatization must be quick, for the costs incurred by a rapid privatization would in the long run be smaller than if privatization were to be implemented gradually and the structure of companies preserved for years to come.25

Sachs' supposed identification of Slovenia with other socialist economies and his stressing the urgency of the transfer of ownership is juxtaposed with the interpretation of

24Interview with Jože Mencinger.
Mencinger's program which is interpreted as improving the particular potentials of Slovene business.

Mencinger's assumption is the comparative advantages of the Slovene economy in comparison with the economies of other Eastern European countries. He argues that Slovenia, due to the high level of exports, the proximity and communication with its Western neighbors and the traditional networks of trade with them, has been long exposed to the forces of the market and as such has a more experienced and higher quality cadre of business managers than any other socialist country...This is why Mencinger's wishes to make use of the potentials that already exist in the economy.26

Sachs' desire to restructure companies through immediate privatization was considered necessary for Eastern European countries that were worse off economically than Slovenia and the other Yugoslav republics. His lumping Slovenia in with these countries was considered to be an implicit critique of Slovene business. This was compounded -- in the eyes of Sachs' critics -- by Sachs' plan to transfer the property rights of social capital by way of distribution to the Slovene public as opposed to sale. This was supposed to resolve the problem of assessing the market value of social property in the event of privatization through sale, but it was also seen as a lack of confidence in the then-present management of these social enterprises. As I had mentioned earlier, Sachs' model entailed distributing ownership rights via shares of companies (which were transformed into joint-stock companies) among various institutions, company employees and the Slovene public. On basis of the proportion of the ownership of shares, a managing board of directors would relieve the managers and workers' council of the duties of management. Sachs' model would accord the power of management to the new owners, in contrast to Mencinger's proposal which would accord the present management structure the rights and

26Ibid., p. 11.
responsibilities of managing the company until fully privatized. On the basis of this contrast, critics of Sachs' program argued that his proposal would legalize the purging of "red directors:"

This kind of board of directors, in which outside members would have the majority, would supervise and guide the work done by those at the management level, who in the era of socialism was not able to acquire the skills or experience of a market economy and who they [the board] may arbitrarily remove or change at any time. As the proposal is constructed around the formation of these managing boards of directors, a side effect of Sachs' privatization model is the establishment of an institutional framework for the removal of "red directors." 27

Sachs' appearance on the scene and his introduction of an alternative, widely different model of privatization effectively focused attention on the issue of the power of ownership, an issue which the previous Yugoslav privatization discussion had in essence failed to explicitly address. Furthermore, Sachs' privatization proposal would effectively transfer the power of economic decision-making from those who had been managing social property to those who were to become owners of the property, which was seen by some as a threat to the erstwhile managing elite, which some referred to as the "red directors." And in this debate over the efficiency and effectiveness of different privatization reforms, it suddenly became clear that economic debates about privatization became conflicts concerning the future distribution of economic power in Slovenia.

Discussions about the purging of red directors fed into fears expressed in many circles and on many levels since the voting of the non-communist, DEMOS government into power in April, 1990. How would the new government deal with the legacy of the previous regime and in what terms? These fears took on a new dimension after the plebiscite for independence, at which time preparations for secession from Yugoslavia and

27Ibid., p. 13.
the establishment of an autonomous institutional state framework began in earnest. While almost all voting Slovenes agreed on the issue of independence from Yugoslavia, there did not seem to be a consensus as to the implications of the beak with Yugoslavia. Was this break also to be a definitive break with communism? In what terms was the communist past to be evaluated? What sort of nation was Slovenia to be? Questions concerning privatization and the transfer of ownership created a space in which to speak about economic power which under self-management had been formally so diffuse. The introduction of the issue of the transfer of economic power with the transfer of ownership rights focused attention on the identity of those who were to acquire this power and begged the question as to the criteria of eligibility. Why should those who exercised the power of management automatically be accorded the rights of ownership?

As both privatization proposals were argued and presented before Parliament (albeit on different occasions) and the issue of the transfer of economic power was introduced, the proposed models were not evaluated solely in terms of economic efficacy and efficiency but also in terms of fairness and justice. Given that privatization was to distribute economic rights and power as well as restructure the economy, what should be the decisive criteria in choosing the ideal concept of privatization? For members of the Slovene Parliament, this was not a question readily answered. In April of 1991, after Sachs' address and Menciger's resignation, Menciger's legislative proposal was removed from parliamentary consideration. Sachs' team of advisors spent the summer of 1991 -- the summer of Slovenia's independence -- preparing new legislation that was presented to Parliament in September of 1991. However, Parliament was so divided on the issues that it could not vote through a privatization proposal, and remain deadlocked on this issue until a compromise model was introduced and passed in November, 1992, over a year later.

How did economists feel about this issue? Almost all Slovene economists supported Menciger's plan as opposed to Sachs' and publicly sympathized with his decision to resign after Sachs' visit to Parliament. Even economists in other Yugoslav
republics supported Mencinger, including Dr. Branko Horvat, one of the leading economists in Croatia, who at that time was also deliberating the option of independence from Yugoslavia. Horvat quite baldly spoke of Jeffrey Sachs as a national disgrace and that Mencinger was the last real economist to leave the last Yugoslav government.\footnote{28Ervin Hladnik-Milharčič. "Intervju: Sachs je Nacionalna Žalitev." Mladina, April 30, 1991. pp. 14-15.}

It is on the very notion of the nature of economics and the role of an economist that defined the unified support of Mencinger among economists. In the citation that I quoted few pages back, Mencinger -- in speaking about privatization -- constructs a distinction between implementing the rules of a new economic game and the substitution or persecution of people, which he thinks is wrong. Here he expresses one of the main differences of understanding that continues to be the root of many debates concerning economic reform in Slovenia. The intervention on Sachs' part argued a connection between privatization and the transfer of power through ownership which in turn raised questions about the criteria of eligibility of the new owners. This was juxtaposed with a program which was based upon giving previous managers the license to decide how and when a company should privatize itself, and thus hold on to the power of decision-making that was to be ascribed to owners under a system with private property. This preservation of control (and accusations of its abuse) held over from the old regime forced questions about the re-evaluation of the past socialist system, particularly begging the question as to how to interpret the role of those who held powerful positions in the previous economic system. In this discursive context the support of a gradual privatization à la Mencinger was considered to be support of the past regime.

However, economists, including Mencinger, strove to define their advocacy of one model over another in terms of the rules of the economic game. Not disregarding the issue of redistribution of power -- which they consider inevitable in any case and is thus irrelevant -- Mencinger strove to define his position according to the rationality of economic
criteria and of long-term economic success. Thus, instead of considering the future owners in terms of their complicity with the previous system (which economists themselves argued was unfair and inefficient), Mencinger evaluates them in the supposedly neutral terms of their potential skills at bringing Slovenia's companies around. The question, according to Mencinger and others becomes, who is most qualified to take on the responsibilities of ownership of formerly socialist property? This is a question that economists, not politicians, are most qualified to answer.

The continuing debates about privatization and the complex of issues that it raised can be understood as an ongoing debate concerning the options that Mencinger outlined, options that later become appropriated and played against each other in political, social, and intellectual circles as well as technically economic ones. Chapters five and six will engage in investigating other aspects of this process. The following chapter will address an issue raised now at the end of this present chapter, namely the relationship between economists' authority to define key questions concerning privatization's formation of economic power and economists' successful construction of an institutional culture of expertise.
In the fall of 1996, the Faculty of Economics at the University of Ljubljana celebrated its 50th anniversary. The faculty organized a number of events to commemorate its institutional history and present standing, including an international economics conference. Economists from all over Europe and the United States were invited to come to Ljubljana to present and discuss papers concerning Slovenia's process of transition and its incorporation into the wider international economy. Given that this was the first international conference of this scope hosted by the faculty, it was also an occasion during which the faculty had an opportunity to present itself as an institution to the broader economics community.

In addition to the formal conference sessions, the participants were taken on informal tours of "prosperous" Slovene companies and to receptions hosted by leading figures in Slovene business. Slovenia's transition was portrayed as a success at every turn and unequivocally linked to the success of the Faculty of Economics.

By the success of the Faculty of Economics I am referring to its successful transition into a recognized center of economic authority and expertise, not so much within the broader international community as within Slovenia itself.

In previous chapters I began to trace economists' accounts of the construction of economics as an objective science in order to explore the authoritative position from which economists were able to critique socialism in economic terms. Their depoliticized practices and discourses of a science of economic laws allowed them -- during a period of economic crisis -- to call for changes in the ideological cornerstones of self-management socialism while neither engaging issues addressed by politically liberal movements nor being
classified as liberals themselves. Instead, in these chapters I mapped out the sorts of evaluations made by economists of self-management by appealing to the supposedly neutral criterion of economic efficiency. I traced the critiques made of social property and the terms in which reforms of social property were debated. I also portrayed the way in which the Party apparatus itself appropriated the discourse of economic efficiency and began to outline the supposedly neutral reforms dismantling the monopoly of social property and self-management.

In chapter two I addressed the way in which economists strengthened their position of objective depoliticized experts with evaluations of socialism according to criteria considered to be neutral. I explored links between these practices and the social construction of economics (by economists) as a science of objectivity. Among the strongest lines of critique and practice which I outlined in the last chapters emerged from the study of small business and socialist entrepreneurship, which later became one of the defining currents at the Faculty of Economics during the 1980s. In chapter three I traced the emergence of this study among economists and linked their academic research with the reforms that they advocated. I follow the way that these technical interests evolved with the passing of Yugoslav privatization legislation and the heated debates that reconfigured the issue of privatization for Slovenes.

In this present chapter I will explore the links between economists' narratives of the role of business studies, of the history of the faculty and of the Economic Faculty's business practices. Far from being an isolated academic institution dedicated to the development of a universal science, the Economic Faculty formed an integral part of the economic and business spheres within Slovenia. I have maintained that one can understand the positions of economists by examining accounts of economists' formation of an objective science. However, this cannot be understood separate from the initial Marxist function of the central economics institution in Slovenia, the Economics Faculty: the production of knowledge and of knowledge-practitioners. Exploring these connections by way of
historical narratives related by members of the faculty will allow me to recontextualize the revival of business studies at the faculty in the 1980s and its relationship to the faculty’s construction of a particular kind of economic expertise.

The Faculty of Economics

Dr. Danijel Pučko was dean of the Economics Faculty in 1996 when it celebrated its 50th anniversary, and in the role of the faculty spokesperson was called upon to preside over the various anniversary formalities, including the international conference and a formal banquet reception held for all the faculty's graduates at Ljubljana's main concert hall, Cankarjev Dom. As the institution's figurehead he was also the author of the faculty's official history and vision at this period in time. In his essay of introduction to the faculty's special anniversary almanac, he meticulously outlined the evolution of the faculty from its humble beginnings in 1946.

His account narrates processes of institution building and of knowledge production that literally began from scratch, as economics did not until then exist as a university discipline in Slovenia. While the faculty had only one full-time professor its first year, it already had 348 enrolled students. At this time university programs were centralized, meaning that all Yugoslav universities offered the same curriculum. This was not the case at the graduate level, where, due to a nationwide lack of professors, each university could not afford to offer the whole range of graduate programs. Instead, each university would offer one graduate program in economics in which it specialized. However, the Faculty of Economics of the University of Ljubljana was not able to offer graduate training until the mid-1960s and thus had to send their students to other universities in Yugoslavia. As Pučko describes below, the first years of the Faculty speak of the slow progress of building up an institution of expertise:
After 20 years, in the 1965/66 academic year, the faculty had enrolled 728 students, employed 25 full-time professors, 9 assistants and 7 part-time lecturers. The full-time professors now could cover all the main fields of economic theory. 14 of them had by this time received their Ph.D.s. 1143 students had graduated from the faculty until this point.¹

The first decades of the faculty's existence not only entailed the physical construction of the faculty — of buildings, of libraries — but also the physical formation of the discipline itself with rising numbers of trained graduates joining the ranks of economists, including those who went on to pursue graduate studies. The institutional development of the faculty depended upon those who pursued graduate studies, as they were later to form part of the faculty's professorial cadre. However, the official function of the Faculty consisted of training the necessary number of specialists who were to aid in the operation of the Yugoslav economy. This became a central concern when Tito had decided to go his own way with self-management socialism and began dismantling the centrally-planned economic system prevalent under administrative socialism. Technicians were needed to draw up and implement the operation of a new economic system. Citing the words of Boris Kidrič, one of the Party's leading ideologues (and who also happened to be Slovene), Pučko referred to the function of the Faculty of Economic at that time as being one of

...providing first-rate Marxist economists who would be able to creatively understand, apply, and develop their science and be capable of contributing to the consolidation and growth of the position of the socialist economy...²

However, this need took a turn in the mid-1960s with the era of market socialism. The reforms of 1961, 1963, and 1965 brought with them a substantial loosening of administrative economic planning by delegating the power of economic decision-making to

²Ibid., p. 8.
individual companies which were left to abide by market forces. This of course meant a significant shift in the importance of management at the level of companies which up to this time were dependent upon the administration of the center. Pučko recounts that the economic reforms of the 1960s created new demands on the Economic Faculty:

The second half of the 1960s was quite favorable for economics. The need for economic knowledge became greater. The results of this development was the increase in enrollment of full-time students and the opening of centers for part-time study throughout Slovenia. By the end of the 1960s another cycle of graduate studies was set in motion...³

Pučko links the rising number of students and the institutional expansion -- which is meticulously documented in this account alongside the gradual increases in the numbers of volumes housed by the library -- with the changes of market socialism and a subsequent new relevance accorded to economics. Yet this was also the result of the development of economics as a discipline within the faculty itself. At first, from 1946 to 1958, the faculty offered the centralized curriculum designated for all economics faculties across Yugoslavia. During this period the economics program consisted of an equal number of economics courses as well as of requirements referred to as non-economic. These included courses on Yugoslav economic geography, basics of constitutional, administrative and international law, labor law, economic history, as well as foreign language requirements.⁴ However, this proportion shifted in favor of economics courses when the first changes were made to the course curriculum in 1958.

With the curriculum of fall, 1958 the faculty placed an explicit emphasis on economic and methodological courses at the expense of non-economic ones, of which very few remained. Foreign language requirements were done away with.

³Ibid., p. 9.
For the first time students had the option of a slight concentration in either microeconomics or macroeconomics.\(^5\)

Further changes were made in 1960 which -- as they are narrated by Zarjan Fabjančič, professor at the faculty, the present dean of students and author of a history of the faculty's course curricula -- would enable graduates to attain the knowledge required of them by their future employers. This adaptation required rather fundamental changes. First there was the introduction of a two-tier system, in which a student had the option of receiving a terminal degree after two years instead of four. The four year degree was still offered for those who wished to continue their studies after completing the first tier. However the possibility of receiving a degree after only two years required re-evaluating the priority of economic fields of study:

Our faculty had to adjust the curriculum to the fact that our graduates, upon completing the first level, required a level of knowledge necessary for them to successfully fulfill the duties required of them in the workplace. With this in mind we decreased the amount of theoretical and methodological subjects in favor of practical and applied ones. In addition to this the faculty offered a greater range of possible specializations already at the first level.\(^6\)

Many of the non-economic subjects were replaced by economic ones due to the need to provide an adequate level of specialization in two years. Yet the curriculum changes not only implied a shift towards a greater concentration of economics, but changes within economics itself. Citing the needs of the economic sphere, studies pursued within economics moved significantly in the direction of the sphere of business management, according to Fabjančič. The shift occurred at the graduate level as well as the undergraduate one with the inauguration of a graduate program in business studies in the

\(^5\)Ibid., p. 19.
\(^6\)Ibid., p. 20.
late 1960s. This was fruit of the faculty's first overseas institutional exchange, namely with the Business School of the University of Indiana at Bloomington.

These were the first steps made in giving business a central place in the faculty's curriculum. While this was once again modified in 1965 and the two-tier program was done away with, the faculty retained the two-year business program at the undergraduate level, explaining that those who completed it had no trouble finding employment.

The two-year business specialization was a remainder of the two-tier program from 1960 to 1965. The faculty kept this format for studies in business because it became evident that every year there was a group of students that did not wish to continue their studies after the second year. Furthermore, first-tier graduate did not seem to have any difficulty finding employment. A number of programs of this kind in Slovenia as well as elsewhere in Yugoslavia have been training similar sorts of students since then, and thus far it seems that the economy has needed them.7

Fabjančič here draws a direct relationship between the reforms of the course curricula and the new relevance accorded to economics. One should keep in mind that at this time the faculty was considered primarily a teaching institution and that its prestige as an institution of knowledge depended upon the amount of graduates produced and the need of economists (and economics) among potential employers in the economy.

It is interesting to note that this rise in the relevance and need of economics occurs also at the time when economics at the faculty is shifting from a more specialized and theoretical bent (after the reforms of 1958) to a more practical one in which business and management play a significant role. However, according to economists such as Pučko and Fabjančič, the prestige accorded to economics was a natural confirmation of economics itself and of economists' affirmation of the existence of objective economic laws at work even in self-managed economies. With the rise of market socialism, economists explain that companies were finally having operate according to economic criteria (i.e. market

7Ibid., p. 21.
criteria) as opposed to political ones. These sorts of operations required adequately trained persons.

This confirmation of the value of economic knowledge was further reinforced in their opinion by the state's support of the Economic Faculty's establishment of a continuing studies center to provide training for persons employed in key management positions. According to Ivan Ribnikar, who is the present director of CISEF (*Center za Strokovno Izpopolnjevanje in Svetovalno Dejavnost Ekonomsko Fakultete* -- Center for Professional Studies and Consulting Practices of the Economics Faculty), this official support and financing was a manifestation of a very concrete and immediate need of economics that went beyond academic reform:

The faculty designed the first program "for the needs of economic practice" in 1967 with the administrative and financial cooperation of the Chamber of Commerce of the Socialist Republic of Slovenia. At that time the faculty could not offer programs to companies directly because even during the era of 'false liberalism' it was forbidden to offer 'leading workers' any sort of knowledge. There was less direct supervision in the case of the students' course programs. In their case one could expect that they would forget the majority of false things that they had to learn by the time they were employed.  

According to Ribnikar, the faculty enjoyed a certain degree of freedom within the academic sphere but this did not extend outside of it, as economists were not free to provide instruction to persons outside the strictly academic context. It is at the explicit request and endorsement of the state that CISEF is established within the framework of the Faculty, thus bridging the boundary maintained by the state between the academic sphere and the sphere of economic practice. The state took pains to execute the liberal reforms that it

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passed, including at the level of individual companies. CISEF began its operations in 1968 by offering a three-week seminar:

The aim of the first three-week seminar...was the following: to train leading personnel to solve business problems in a company; to expand the understanding of the position of companies in a market economy within the international distribution of labor; to develop an understanding of the business functions of a company and their role in attaining the general goals of a company; to acquaint them with modern methods and techniques of business management in making business decisions; and to encourage further self-training concerning company management in the context of a self-management system.\(^9\)

In Ribnikar's account of the history of CISEF, he identifies three distinct eras of operation which, as he looks back on the past, he situates within the context of the history of the university and the status of economics as a science:

We can discern a changing importance or changing views on the importance of the seminars, schools and workshops if we look more carefully at the different eras of activity of the university. There are three different periods. The first runs from the establishment of this center at the faculty in 1967 until October of 1976, at which time the activities of the center as they were until this time, die off. The second period is one of forced stagnation and/or searching for a place within the official institutional framework. This went on from 1976 until the spring of 1988. At that time the faculty was not hindered in renewing those activities because there no longer were any guardians outside the faculty that were 'responsible' for deciding whether or not we were offering ideological and professionally appropriate knowledge. From that time onwards we can speak of a third period which continues today.\(^10\)

\(^9\)Ibid.
\(^10\)Ibid., p. 93.
Ribnikar links the establishment of CISEF with the graduate business program launched in 1969; he defines both steps as part of the faculty's strategy to incorporate business studies as a necessary part of the faculty's program as well as promoting it as a technical knowledge indispensable to the success of companies and the prosperity the self-management economy as a whole.

The aim of this program was to assert that business organization and management studies as forms of knowledge are just as valuable as economics. They are of course different from economics and are more relevant for those who plan to employ themselves in companies. In addition to this was the broader context of the Yugoslav economy where at this time the market -- both domestic and foreign -- played an important role. The political circumstances and the fact that at that time there were a number of professors who were trained in the field of business helped realize the first professional training seminars for managers in 1967 -- as we would refer to this now -- as well as the first graduate program in business in 1969 which was aimed at training future managers. It was the first such 'MBA' program in Yugoslavia...

In the context of such benevolent political circumstances and official encouragement, CISEF developed an extensive series of seminars and workshops. Academic professors worked together with persons invited from gospodarske prakse or the sphere of economic practice such as bankers, public sector administrators, government officials and successful high-level company managers. Together they lectured on a number of different topics including commercial policy, market analysis, business financial policy, and production strategies. As time went on, CISEF expanded its range of topics to address as many aspects of business management as possible.

\[11\text{Ibid.},\ p.\ 94.\]
However, this first period of CISEF's growth ended in 1976 when the faculty was deprived of its official permission to offer and conduct the seminars available at the center. The second era began in October of 1976 when suddenly the leading professional workers in companies no longer needed additional knowledge from the marketing, accounting, and financial spheres. This lasted until early 1988. The knowledge which the faculty would impart through its own programs were considered particularly unnecessary. The training program was instead taken up by the Chamber of Commerce of the Socialist Republic of Slovenia which took matters into its own hands. The chamber found a suitable institution and appropriate people...12

As I mentioned earlier, the 1970s -- particularly after the constitutional reforms of 1971 and the Constitution of 1974 -- heralded the end of market socialism and the beginning of contractual socialism, which economists distinguished from market socialism in that market criteria were replaced by the criteria of consensus on numerous levels as the defining dynamic of the economy. Once again linking the reforms of the economic system with the evolution of the faculty, Pučko in his narrative history characterizes the years of contractual socialism as not being particularly conducive to the continued growth of the Faculty:

An era of over ten years commenced in the first half of the 1970s, a period which was not particularly favorable to the development of economics. The dominant social framework during this time was based upon reforms passed in 1971, the Yugoslav Constitution of 1974 and the Associated Labor Law of 1976. It was an era of tension between economics (the faculty) and politics. The faculty was criticized because it did not hold the political economy of socialism as the basis for the development of all other economic disciplines. The faculty's course curriculum

12Ibid., p. 15.
was evaluated according to political factors. It was an era during which it seemed that politicians could explain and teach economics instead of faculty professors.\textsuperscript{13}

In the wake of the shift from market socialism, professors who did not agree with the fundamentality of the political economy of socialism were not personally sanctioned. This is something that I heard confirmed by many of my interlocutors, although they interpreted this fact in many different ways. This policy towards the Economics Faculty distinguished it from other faculties of the University of Ljubljana, particularly the Faculty of Law and the present Faculty of Social Sciences. These suffered purges of those who expressed disagreement with official lines of thinking. Instead, as Pučko explains here, official pressure instead was exerted on the teaching program and the course curricula of the faculty; in other words, on economics itself. One of the more explicit manifestations of this pressure was the establishments' relieving CISEF from its teaching duties.

However, this did not mean that the official establishment did away with this sort of education entirely. The Chamber of Commerce took over the organization and teaching of these seminars and designated the limited range of workshops and seminars that was to be allotted to CISEF. The Chamber would also hire professors who used to lecture at CISEF to lecture instead at the Chamber's centers. One such professor was Dr. Andrej Kumar. A professor of international economics at the faculty, Kumar began teaching at a center established by the Chamber in 1977. The Center for Foreign Business, or Center za Zunanjo Trgovino, was located in a small town called Radenci on Slovenia's northeastern border with Austria. Far from the other centers of economic learning in Ljubljana and Maribor, this institute was to train people from the business world to prepare them to conduct business abroad. According to Kumar, this entailed acquainting them with competitive methods of marketing and company management so that companies would be able to compete successfully in market economies.

\textsuperscript{13}Danijel Pučko. \textit{op. cit.}, p. 9.
The center had two sorts of programs. The first consisted of a series of short seminars. One of the center’s functions was to keep people of the business world informed of the legislation that regulated foreign business and trade for Yugoslavs. The laws in this field were reformed continually, and thus a good number of these seminars would keep businesses up to date on the changing legal restrictions on their practices. The short seminar format was used for addressing specific technical issues relevant to those whose companies depended on foreign business.

The second sort of program offered junior college level courses to provide comprehensive training for future management personnel in the techniques necessary for foreign business that one would not need for domestic business. This included themes such as how to determine prices, how to decrease foreign currency risk, how to deal with stocks and bonds, and so on. In short, these managers were trained how to manage their companies within an economic framework different from their domestic one.

Kumar started out as an instructor at the center when the Chamber founded it in 1977. In 1990, he became the center’s director and has helped the center find a place for itself after Slovene independence. He explained the he was one of the few professors from the Faculty of Economics of Ljubljana that lectured at the center, as the center’s policy was to have speakers from outside the academic sphere. *Iz prakse za prakso,* or, from experience for experience, was an expression often used to denote this sort of policy. Furthermore, in Kumar’s opinion the professors at the Faculty were overburdened with teaching responsibilities, and these sorts of centers were to supplement their work. The majority of the professors that were employed by the center held positions at the University of Maribor, which was geographically closer to it.14

Through the establishment of center such as the Center for Foreign Business in Radenci, the Chamber of Commerce organized and designated what sort of knowledge was to be imparted to different sectors of the business sphere. It delegated some of these duties

14Interview with Andrej Kumar.
to CISEF, as Ribnikar recounts, when its institutes could not deal with the demand for
training on the part of companies. The Chamber would delegate workshops to be held for
the employees of individual companies, particularly the larger Slovene companies whose
livelihood depended upon foreign business.

The Chamber's establishment and maintenance of institutions such as the Center for
Foreign Business was one of the ways in which the political establishment -- in the spirit of
contractual socialism -- incorporated market practice into its integrated socio-economic
plans. The transfer of this training from the care of the faculty to government and business
institutions was an example of the sorts of measures taken by the political sphere to
designate the place of economics and of the faculty itself.

The faculty adapted to the new domestic economic system in different ways.
During this period the faculty was renamed the Boris Kidrič Economics Faculty; Edvard
Kardelj, the author of the 1974 Yugoslav Constitution, became a professor of the faculty;
and the faculty bestowed an honorary doctorate to Sergej Kraigher. On a less formal
level, Ribnikar observes the emergence of a new sort of economic expertise specific to the
circumstances of the economic of associated labor. He considers this expertise to be at
variance with the evolution of economics through the 1960s.

The general characteristic of this period, and even of the years directly before it, was
the appearance of special experts in almost all fields, including university
professors, who began to discover completely new things. For example, in the
sphere of finance there were so-called eccentric finances. Those university
professors who did not form part of the group of new experts lost a great deal of
time either criticizing these new experts, or did not write or publish as much as they
otherwise would have. There also was not much work or activity going on in the

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15Boris Kidrič, Edvard Kardelj, and Sergej Kraigher were Slovenes who were among the
major Party figures in the history of Yugoslavia.
realm of professional education. Others began to study and prepare for the time when this lunacy would end. 16

Pučko links these developments in economics with the predominance of certain research trends addressing issues pertaining to the new economic system. He considered this the most explicit way in which the faculty adapted to the immediate circumstances of the time.

The results of such developments included the not too zealous attempts to guide the direction of scientific research at the faculty to investigate the basic issues of the socialist political economy and the evolution of economic science. The central themes of research at the faculty during this period included the self-management socio-economic system, long- and short-term Yugoslav economic policy, basic issues of Slovene economic development, and modern methods of economic research. The so-called Yugoslav investigative macro-projects were an external manifestation of this trend. Yet despite this the faculty did not receive a notable increase of social support for this kind of research. 17

However, as Pučko mentioned above, the faculty did not receive institutional support from the state for their contemporary research. Instead he characterized the state's research policy as another instrument used to supervise the direction of economic research and to limit the authority of the faculty by restricting and controlling the activities of the faculty and its professors. The purpose of these measures was to reduce the role of the faculty of economics to that of a pedagogical institution.

...research policy in Slovenia during this time...attempted to shift the production of economic knowledge and research to institutes and business organizations while

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16 Ivan Ribnikar. *op. cit.*, p. 95.
designating to the university the task of teaching as merely the transfer of knowledge. It is also true that the period of development of the associated labor system was a time during which the logic of administration and of the standardization of social relations predominated in the economic sphere over the logic of economics in a wilful and arbitrary manner. Instead economic knowledge and laws were considered more of a necessary evil rather than a 'commodity' in high demand. This sort of situation over the years left the faculty without research associates, without administrative and technical research support and with shoddy research equipment.  

It was during this period that other economics research institutes flourished, particularly the International Center for Public Enterprises. Established in the late 1960s as the Center for the Study of Developing Countries by members of the Faculty of Social Sciences at the University of Ljubljana, the institute became an independent institute in 1972. It dedicated itself to the research of Yugoslav economic development and the broader issue of the status of development countries in the context of the non-aligned movement, which Yugoslavia spearheaded. The center evolved into an inter-governmental organization with forty-two member countries and was sponsored and funded in part by the United Nations. It was also one of the main recipients of the funding that Yugoslavia allotted to the above-mentioned macro-projects, which addressed issues concerning the relations between Yugoslavia and developing countries.

The teaching programs which were to remain under the jurisdiction of the faculty did not remain impervious to change either. Reforms introduced in 1973 that lasted until 1978 included the creation of a second tier to the business studies program and establishment of new specializations in the third and fourth year of the economic program, including more current topics such as the economy of organizations of associated labor. In

\[18\text{Ibid.}, \text{p. 11.}\]
the case of the curriculum of courses, additions or retractions were made in accordance with changing circumstances in the economy, particularly in the case of the business studies program, in which courses were more of an applied nature than a theoretical one.

From 1978 to 1985, the faculty implemented usmerjeno izobraževanje, or vocational education, which had become the accepted model of education in Yugoslavia at the time. The aim of this model was to introduce specialized education as early as high school, and which would continue with instruction at the first and second tiers at the university. Thus if one wanted to pursue economics, one would begin at the high school for economics, srednja ekonomska šola, then continue at the first tier level, višja šola, through the second tier, visoka šola, both of which were offered at the Faculty of Economics. The aim of incorporation the faculty into this model was so that the faculty would become "more connected to the current and long-term interests and needs of associated labor."\(^\text{19}\) This adaptation implied that the faculty had to sacrifice a common basic training for its students in favor of elaborating specialized courses and degree programs for newly created concentrations in economics. According to Pučko, in retrospect this shift to vocational training greatly reduced the level of learning acquired by graduates:

If in the second half of the 1970s the previously mentioned external circumstances negatively influenced the work of the faculty, in the early 1980s vocational education and its demands added to the faculty's problems. This program pressured the faculty into a sort of unification and coordination of studies in economics across Slovenia. The desire to coordinate high school and university levels of education dangerously reduced the level of high school instruction. The putting into force of vocational education deprived the faculty of jurisdiction over its own study programs and pedagogical methods. The results of this change became quickly apparent in the low efficiency of students. Of the 750 full-time students who

\(^{19}\)Zarjan Fabjančič. *op. cit.*, p. 25.
attended the first year at the faculty, only one-fourth of them would proceed to the second year. 20

Returning to the history of CISEF, Ribnikar marks the end of the second period with the proposal made by the Chamber of Commerce to the Economics Faculty in 1988 to finance the organization and implementation of a series of seminars on accounting and finance at CISEF. Unlike the other such activities that were delegated to CISEF over the last eleven years, this time CISEF was also granted full autonomy to design and carry out these seminars as they saw fit. According to Ribnikar, CISEF had reverted to its original status, and began its third phase of operation, which continues through to the present.

The narrators whose historical discourses I have been presenting here speak from their position in 1996, by which time Slovenia had assumed most of the characteristics of a market economy. The structure of their narratives is defined to a great extent by the self-evidence of this resolution, which, in their eyes, confirmed the superiority of the market over state attempts to politically engineer the economy and society at large. They elide the superiority of the market with the superiority of economics itself and of naturalized economic relations -- which, given the presumed weaknesses of self-management in the face of the relative prosperity of market economies -- they presume to be universal. They identify the development of the faculty with the construction of economics as a discipline in Yugoslavia, thus interpreting the history of the faculty -- as well as Yugoslavia's own economic history -- in the same terms of constancy and objectivity which they ascribe to economics itself. They do not question the state's shift in regard to market reforms in the 1960s, but accept it as natural and self-evident, as they also understand the faculty's expansion in the 1960s and the state's support of CISEF.

In this same vein they link the rise of contractual socialism and of the political restraints placed on the faculty with the negation of economic objectivity and the attempts to subjugate economic dynamics to integrated social planning. They interpret the fact that the Chamber of Commerce continued with the training programs -- albeit in a limited fashion--as recognition of the objective need for this sort of training. Economics had become, in Pučko's words, an necessary evil as opposed to a sought-after commodity, something whose existence was to be delineated by its designated place within the scheme of integrated social planning. In these terms economists also characterized the actions of the action towards the faculty.

Ribnikar defines the 1980s as an ambiguous time during which the failure of the system and the ineffectiveness of the actions taken by the government rendered the objective superiority of economics even more self-evident to the eyes of economists. It is at this time that economists were able to write about the objective weaknesses and failures of self-management as a system, as I have discussed previously. Ribnikar links the lack of decisive action on the part of the government and the subsequent ambivalent economic situation with the institutional inactivity of the faculty. This quickly changed with the Chamber of Commerce's support of CISEF and the subsequent passing of what Ribnikar refers to as landmark legislation:

Despite the fact that from at least the middle of this [second] period which we are discussing...the general state of the economy was such that it demanded a greater activity on the part of economists in this sphere, this was not the case. It had become clear that this was no longer an issue of reform, of new laws, but a case of the economic system based on social property coming to an end. When the issue became doing away with social property, it didn't make sense to lecture on concrete and/or specific questions or problems. Only preparing leading management personnel for a transition to a market economy seems appropriate. Yet this requires something more concrete than plans and expectations, something like the
Enterprises Law which was passed late 1988. That is why...an adequate revival of these programs of instruction did not take place until late 1988 and 1989. Furthermore, there was another, simpler reason: the hesitation of the faculty based on doubts as to whether these reforms signaled the beginning of a decisive change in which it would be worth investing...as well as investing in those people who would lead these activities, in the organization, in office space, and so on. 21

The last comment on Ribnikar's part refers to the Faculty's adapting its position to the actions of the state. It is this very notion of adaptability that sheds light upon the history of the faculty cast in terms of economic objectivity and points as well to a significant difference between CISEF's operations from 1967 to 1976 and its work after 1988.

The history of the Economics Faculty through to the late 1980s can also be interpreted in terms of its dependence upon the political sphere and would thus serve as a counterpoint to the narratives of the autonomy of economics. For from its very inception, the production of the faculty was to a large extent defined by the political economy of the time. In the 1950s it was the production of Marxist economists and the development of a science of Marxist economics. When the political establishment began to draft its shift towards market socialism in the 1960s, these plans included as well a shift in the production of economics at the faculty. Economists naturalize this shift as an inevitable recognition of the need to allow economic dynamics to operate free of political planning and do not address the political construction of this shift. The faculty's quick compliance with these changes --which due to their ideological nature could have been considered problematic by orthodox Marxists -- allowed it to build up its own authority. One need only remember the way in which the faculty justified the reforms of the teaching programs in the 1960s as responses to the needs of the economy. The responses to those needs allowed the faculty to gain influence as an institution of economic knowledge. Being the only university-level economics faculty, it had a monopoly on the instruction of economics.

21Ivan Ribnikar, op. cit., pp. 95-96.
The professional authority that the faculty accrued during this time overshadowed the constructed nature of this authority. However, this constructedness became explicit in the 1970s when the state deprived the faculty of jurisdiction over professional training as well as of state funding for economic research. Despite attempts on the part of the faculty to adapt itself to the political economy to some degree, the state did not relinquish its power of decision over the faculty's realm of action.

The institutional inactivity on the part of the faculty in the 1980s was a continuation of this relationship between the faculty and the political establishment, though the economic crisis forced changes on some levels between economics and politics, as I have outlined in previous chapters. During the 1980s economists fashioned discourses of critique of the self-management system in terms of economic universality with which they built their positions of objective authority. When the Chamber of Commerce addressed the faculty to propose a revival of CISEF, the position of the faculty was different than it was at the time of CISEF's creation in 1967. CISEF, although partially sponsored by the Chamber of Commerce, was to be organized and run solely by the faculty. Furthermore, from 1989 onwards, CISEF became a for-profit training program that is now one of the main sources of funding for the faculty. CISEF became economically -- and politically -- independent.

The timing of CISEF's revival on the heels of the passing of the Enterprises Law which allowed for altogether new structures of business and ownership enabled it to become the largest professional training program in Slovenia. Given the decades long relationship between the Chamber of Commerce and the faculty, it is not surprising that the Chamber decided to turn to the faculty. Furthermore, the Chamber also had professional relationships with individual professors that they hired for their own training schools in the past.

The Chamber's aid in itself could not guarantee CISEF's success. It did so in the 1960s when this support was part of the state's engineering of the shift to market socialism and when the faculty enjoyed a monopoly as the only university-level institution of
economic knowledge. The state controlled the faculty's access to a "market" of economic instruction for better (as in the 1960s) or for worse (as in the 1970s), and the faculty strategically adapted to circumstance.

The revival of CISEF in the late 1980s was the last political intervention of this sort in the affairs of the faculty. It was also the end of the state's defining the shape of relations between the faculty and the business sphere, when with the passing of the Enterprises Law it became possible to create private companies. Soon many individuals -- including university professors -- went into business for themselves, transforming their expert knowledge into a commodity to be sold to consumers. At this juncture in time, when the economic system was changing and the situation remained quite fluid, companies were in dire need of advice.

Thus the landscape of economic expertise was quickly changing, and the faculty was not the only institute of economic knowledge participating in these changes. Despite this new context, CISEF was able to establish itself with a fair amount of success. Between September and December, 1988 (the year that CISEF was re-launched), CISEF organized 26 seminars which amounted to 882 teaching hours. In 1989, CISEF held 101 seminars and workshops amounting to 2,920 hours of instruction, providing the faculty with an income of 393,500 German marks. In 1990, CISEF organized 78 seminars for a total of 2,254 hours of instruction, accruing an income of 720,590 German marks.\footnote{Ivan Ribnikar, \textit{op. cit.}, p. 96. The Enterprises Law went into effect in 1989, at which time CISEF could reap a private profit from the services it provided. The level of profit is calculated in German marks, which is the currency in which Slovenes (as well as Yugoslavs) calculated value in the absence of a stable or reliable domestic currency. Even now Slovenes will speak in terms of German marks instead of Slovene tolars when it comes to objects of greater value such as houses or cars. For example, my rent in Slovenia was to be paid in German marks. It was of course up to me to find how I could buy them more inexpensively.} CISEF's success was the first explicit step the faculty took in its institutional transformation which allowed it to maintain itself in what became the market for economic expertise and professionalism.
For the faculty this last decade has been a period of great change. The reform of the economic system of the former Yugoslavia and particularly the radical reforms of the political and economic system of the early 1990s encouraged the faculty to quickly abandon the basic orientation defined by Marxist political-economic principles according to which it operated for the last forty years. The renaming of the faculty to the Faculty of Economics in 1991 was only an outward sign of this shift. For this reason the fifth decade of the faculty's operation has also been its period of transition. During this time the faculty experienced a whole series of great transformations.23

Pučko aligns the institutional changes of the faculty with the political and economic changes of the late 1980s and early 1990s, and in this fashion his portrayal of the faculty falls in line with Ribnikar's, who describes an institutional stagnation until 1988. This, however, does not account for the activities of the members of the faculty on an individual level who contributed significantly to the shape of Yugoslav economic policy in the mid- to late 1980s and who later became central to the institutional transformation of the faculty itself. In the following section I will portray the accounts of a group of professors whose private professional activities strongly influenced the direction of the faculty's transition process. I will focus on their accounts about their establishing a private consulting agency. In so doing I will situate the persons who later effected the key reforms at the faculty that has enabled it to successfully navigate its own transition process.

GEA: Global Entrepreneurship Agency

23 Danijel Pučko. *op. cit.*, p. 11-12. Pučko's reference to renaming the faculty refers to the change made to the faculty's title in the mid-1970s for allegedly political reasons. At that time the faculty's title was changed from Faculty of Economics to Boris Kidrič Faculty of Economics. Boris Kidrič was one of Tito's closest aides and was one of the main political implementors of self-management in the 1950s.
GEA was founded as an association of faculty professors from the Economics Faculty. They were a group that had been working together since the early 1980s, some among them even longer as they had been colleagues since graduate school. About half of them had pursued their graduate studies in the United States, and all of them were trained as macroeconomists. What bound them together was a belief in certain weaknesses of self-management that needed to be reformed if self-management was to be productive. As macroeconomists they believed that the key to high economic growth lay in the dynamics at the level of individual companies. Together their writings constituted the new wave of business studies or podjetništvo, that was based upon the study of small enterprises. This theoretical trend later evolved into that of entrepreneurial socialism which I introduced in the previous chapter.24

However it is very important to note here that this new wave of business studies launched by macroeconomists was quite distinct from the trend in business studies of the 1960s. As I mentioned earlier, the faculty had established both graduate and undergraduate programs in business studies in the mid- to late 1960s, programs that were reformed continually over the years and whose prestige fluctuated as well. These programs had a permanent position within the faculty's institutional structure. Yet the macroeconomists who came to business studies through macroeconomics were not affiliated with the business portion of the faculty.

In the early 1980s, political economy continued as the official focus of research and teaching at the faculty, with business studies accorded the same amount of technical prestige as, say, banking. However, this began to change in the mid 1980s when this group of macroeconomists began to make a case for the establishment of small enterprises. In analyzing the accounts of these economists concerning their establishment of GEA, I

24Dr. Tea Petrin, Dr. Aleš Vahčič, and Dr. Miroslav Glas are among those who form part of this group which I have mentioned in previous chapters.
will explore the links between their advocacy of business studies and entrepreneurship as a theoretical trend and a policy to be practiced and their personal entrepreneurial practices.

Dr. Janez Prašnikar, a professor at the faculty and presently the director of the faculty's full-time residential MBA program in Radovljica, received his undergraduate degree in economics at the faculty in 1973. Though Prašnikar had wanted to continue in economics he wanted to know more than the theories that he had been taught at the faculty. Since he was not able to go to the West to study, he instead decided to go to Zagreb with one of his colleagues, Miroslav Glas, to study under Dr. Branko Horvat, one of Yugoslavia's most respected economists. Horvat was much more market-oriented than the professors at the faculty in Ljubljana, and Prašnikar explained that only in Zagreb was he able to deal with economic methodology and Western theories in depth for the first time. He received his masters with Horvat and returned to Ljubljana to receive his Ph.D. in 1982. Expanding on his graduate work, as a young member of the faculty he conducted research on the behavior of self-managed firms by traveling to firms all over Yugoslavia. He described his work as empirical in that it was based on the disjuncture between the behavior of companies he observed in practice and the models that theorized this practice. With his empirical bent he was soon back to work with other professors at the faculty, including Tea Petrin, Miroslav Glas and Maks Tajnikar, investigating the relationship between the behavior of individual firms and the growth of the Yugoslav economy.

His collaboration with this group soon expanded beyond strictly academic research when in 1985 he co-wrote the proposal for legislation for the establishment of small enterprises within self-management with Tea Petrin, one of the most vocal advocates of small enterprises.25

While the legislation proposal did not go through, it was the first of a number of joint projects set in motion by this group of professors. Some of these were strictly

25Interview with Janez Prašnikar.
academic projects, others not so academic. In terms of the academic projects, these professors dedicated their research to the study of the role of small business and entrepreneurship as a means of restructuring Yugoslavia's failing economy. While the substantial shift among researchers to study the role of businesses in itself redefined the attention to business studies at the faculty, the revival of business studies and new emphasis on business management as a form of technical knowledge was based as much on their less academic activities as on their research.

Aleš Vahčič, a professor at the faculty and presently also the dean of undergraduate studies, is also one of the founders of GEA. He finished his undergraduate degree in economics in Ljubljana but then went to pursue his graduate studies at Cornell University, where he received his Ph.D. In the early 1980s, he and his colleague and wife, Tea Petrin, attempted to express their views concerning the weaknesses of self-management beyond academic circles. According to Vahčič, successful business management was not something exclusive to privately-owned property, but was something that was also attainable in socially-owned enterprises. His research was focused on trying to identify those factors which hindered the successful operation of businesses and the healthy growth of the economy.

In the excerpts from Vahčič's work which I discussed in chapter three, it is evident that Vahčič is focused not so much on arguing the importance of small businesses as on outlining what sorts of reforms would be necessary for the Yugoslav economy to have a similar percentage of small business as developed countries have. In his opinion, the scope of the restructuring plan was massive, and an indicator of the depth of the crisis that Yugoslavia was experiencing:

Let us assume that in the next ten years we would like to restructure the Yugoslav economy so that we would increase the percentage of those employed in the small business sector from 10% to 30%...This implies that almost all of the net increase in employment over the next ten years must occur in the small business sector and that
the rate of growth in this sector should be around 17% while the rate of employment increase in the rest of the economy should be only 1%. From this we can see what sort of dimensions we are talking about...we would have to create approximately 80,000 new companies over the next ten years, or 8000 a year.26

Basing his policy proposals on the successful models of business administration worldwide, Vahčič argues that the issue did not lie so much on the establishment of a massive amount of small companies as it did in encouraging the initiative of individuals and of entrepreneurs. This required the introduction of a new way of thinking about business and of different ways of conducting business.

According to Vahčič, he and his colleagues established GEA to formalize their network of fellow researchers and policy analysts whose aim was to address different issues concerning the introduction of entrepreneurship and of small business into self-management. This included projects such as continuing the dialogue outside academic circles -- particularly with political organs -- that began with their legislative proposal. The excerpt for Vahčič’s piece above was initially a paper given at a conference of the League of Communists of Yugoslavia held in the Slovene city of Celje in 1987. Tea Petrin and Miroslav Glas were also speakers at the conference addressing the "ideo-political issues concerning the rapid growth of the small business sector."

Prašnikar explained that their connection with the emergence of entrepreneurship in Yugoslavia continued with their participation (his and that of his colleagues) in the technical committee that prepared the Enterprises Law under Prime Minister Branko Mikulić, and continued as well under the administration of Prime Minister Ante Marković. Vahčič explained that the Marković administration was the first Yugoslav administration that explicitly addressed the issue of the small business sector. The administration

commissioned a project -- in which Vahčič and other colleagues GEA participated -- to
design a nation-wide institutional support network for the small business sector. However,
political circumstances, as he referred to them, curtailed the full implementation of this
project.27

Furthermore, after the implementation of the Enterprises Law GEA's activities
expanded to include private consulting, which quickly evolved into GEA's greatest project:
the formation of a network of expert consultants to provide seminars and short training
programs for managers and for entrepreneurs in the process of establishing their own
private companies. Furthermore, with the passing of the Social Capital Law which allowed
for the privatization of socially-owned companies, Tea Petrin and Aleš Vahčič were among
the most vocal of GEA's members in introducing the model of employee buy-out --
privatization via the purchase of a company by its own employees -- into the debates
concerning privatization.

A detailed history of the institutional expansion of GEA would fall beyond the
scope of this chapter. However, I would like to mention that GEA has expanded into a
full-fledge center of management instruction. It formed a long-term partnership with the
PHARE program, an institution of the European Union that funds projects in future EU
member countries. Together they have established a four year program in business studies,
which has become the first four-year program in business outside the realm of either the
University of Ljubljana or the University of Maribor. Presently they are planning to create
branches of GEA College (as it has been coined) in other Eastern European countries.

In sketching out a brief history of GEA I wished to introduce the enterprising
professors who in the 1980s endowed business studies, small business and
entrepreneurship with a new relevance and thus introduced these discourses into the
forefront of policy debates on Yugoslav reform. In the course of economic change in
Yugoslavia they were able to exercise their own entrepreneurial skills to market their own

27Interviews with Dr. Aleš Vahčič and Dr. Janez Prašnikar.
expertise in the face of a rising demand for training in a newly relevant form of technical knowledge. I wished to link their entrepreneurial practices with their roles in reviving management studies which later became the focus of the faculty's charted institutional reform. In this last section I will outline the reforms that the faculty set in motion to help maintain itself as the largest center of economic instruction in Slovenia.

The Institutional Transition of the Faculty of Economics

Changes in Slovenia also called for a radical reform of the undergraduate curriculum of the faculty which was set in motion in 1990. The main thrust of this reform was that Marxist political economy lost its central place and that business and management studies were accorded a substantially more important role and position. Furthermore, the whole field of finance finally received the position in the curriculum that it deserved.28

By the time CISEF was re-launched in late 1988, the movement towards small business and management studies at the faculty was well under way. However, this did not affect the hierarchy of economic subfields embodied in the course curricula until 1989 and 1990. One of the advocates of small business and one of the core members of GEA, became dean for undergraduate studies at the faculty in 1989 for the normal two year appointment. During those two years he succeeded in proposing, designing, and implementing a radical restructuring of the undergraduate program. The shift from emphasis on political economy to small business and management studies sparked a heated institutional battle between those who argued for the need to reform the faculty’s programs and to adapt to the rapid changes of the economic system, and those who disagreed with the

need for change. This disagreement was resolved by the voluntary retirement of the majority of the older generation of professors who went into retirement in 1990, the year that the new undergraduate program is launched. It was this early restructuring of the undergraduate program and, more importantly, of the faculty's professorial cadre that gave the faculty a one to two year head-start on other institutions in preparing for the changes that took place in the economic system and in the needs of the business sphere.

While the faculty offered new undergraduate programs in 1990, it did not reform the graduate programs until 1992. The only exception to this was the creation of a one-year MBA program in conjunction with the International Center for Public Enterprises. Keeping to the tradition of the non-alignment philosophy of the center, this full-time MBA program was offered to student from developing countries. The changes introduced to the graduate level entailed the introduction of nine new graduate degree programs: five at the level of masters, and four at the level of specialist. A specialist degree was offered for those who wished to continue their formation beyond the undergraduate level in more technical or applied knowledge such as international business, management or small business administration. Specialist degrees are terminal degrees, and provide a much smaller emphasis on research as do masters programs.

While the faculty carried out fundamental changes in the structure of course curricula and degree programs, it also implemented key changes in its teaching practices that in turn have redefined the shape of the faculty as an academic institution.

The growth of demand in the Slovene market for education have called for the expansion and specialization of the faculty's activities in the last decade. This has "pressured" the faculty to increase the scope of its basic activities (i.e. full-time undergraduate studies) while at the same time developing those activities which are not funded by the budget of the state. This demand for expansion brought with it a radical restructuring of the faculty's means of financial subsistence in the 1990s. If until 1988 the income accrued from full-time undergraduate instruction fluctuated
between 70% and 90% of the faculty's budget, in 1993 it fell below 50% of the faculty's entire budget. In the last few years the 'income' that the faculty has made "on the market" is composed of the tuitions paid by part-time and graduate students as well as of seminar and workshop fees.29

Universities in Slovenia, as universities in Yugoslavia, did not charge their students tuition but were instead paid for this service by the state. As one can gather from the figures that Pučko cites above, the faculty depended almost exclusively on the funding that the state provided to cover the costs of the faculty's teaching activities, and had very few possibilities of augmenting this income. There was the possibility of conducting commissioned research, in which case again the main client was usually the state.

According to Pučko, the reform of the Faculty's programs fall into two categories: those changes imposed on the activities financed by the state budget and those that were not but that were responses to "market demand." I must mention here that the only instruction "services" that are free at the university -- or virtually free, as students pay a nominal service fee designated by law -- are full-time undergraduate studies. Only a fraction of the graduate students are full-time, and most of these are asistenti hired by the faculty to work as teaching assistants to faculty professors in return for pursuing their graduate studies. Most often asistenti are Ph.D. students who are being groomed to become future faculty professors.

All other "educational services" require fees. Leaving aside CISEF's activities, the main group of consumers are part-time students at both the undergraduate and graduate level. And it is in response to this "demand" that the faculty has reformed and expanded many of its programs.

As I have mentioned earlier, the majority of graduate students are enrolled part-time. So many of them are employed full-time that certain programs are offered exclusively on a

29Danijel Pučko, op. cit., p. 13.
part-time basis, as is the case with the faculty's MBA program in Ljubljana. The full-time MBA programs of the faculty included the aforementioned MBA program offered jointly with the International Center of Public Enterprises and a residential full-time MBA program (directed by Janez Prašnikar, whom I mentioned earlier) launched in 1993 in Radovljice, less that an hour's drive north-west of Ljubljana. However, this program, whose lecturers are mostly foreign, charges a tuition comparable to that of American MBA programs.

Among undergraduate students, about half of those students who pursue their studies on a part-time basis are enrolled in one of the faculty's branches established across Slovenia. The faculty maintained part-time centers outside Ljubljana intermittently during until 1973, at which time this became a permanent part of the faculty's set of programs despite the fact that fluctuations in demand would determine the amount of centers that were to remain open. However, from 1985 onwards the number of part-time students rose exponentially. In the 1985-1986 academic year, of the 590 part-time undergraduate students, 211 of them were pursuing their studies in three centers outside Ljubljana. In 1991-1992 academic year, of the 1192 students enrolled, 498 of them were enrolled in six different centers. In the 1995-1996 academic year, of 3107 registered part-time undergraduates, 1322 students were enrolled in 10 different centers across Slovenia.30

These institutional expansions, particularly the tripling of the number of part-time study centers across Slovenia, has substantially redefined the roles of professors whose duties include traveling to and lecturing at these centers as well as teaching in Ljubljana, where the number of students has also greatly increased. However, these "entrepreneurial" practices of the faculty and its members have endowed the faculty with the flexibility necessary not only to maintain itself, but also to become more successful than it has been in its history, both as an academic institution and a profitable enterprise.

CHAPTER FIVE: UDBOMAFIJA AND THE DEPOLITICIZATION OF ECONOMIC FAILURE

In this chapter I will analyze the significance of the depoliticization of economics and of economists, the progression of which I have been outlining in previous chapters. To do so I will focus on a problematic Slovene company called Tam. I will identify and juxtapose distinct discourses different parties employ to interpret Tam’s decline, portray the criteria by which these discourses are evaluated and their role in resolving Tam’s problems.

To provide a history of Tam, I will focus on two persons involved in providing discursive analyses of problematic history: Dr. Maks Tajnikar, the Slovene Minister of Economic Affairs who resigned due to scandals surrounding Tam, and Edo Ravnikar, author of the term udbomafija and one of the more outspoken critics of Slovenia’s economic transition. I do not mean here to present the interpretations of these men as the two opposing sides of a story that together form a whole, nor do I presume here to provide a more accurate account by presenting different perspectives on a particular series of events. Instead I wish to portray the way in which the authority of economic explanation is enacted by an economist as a member of the state and the context in which he exercises this authority. I also wish to analyze the strategic critiques that Ravnikar employs to subvert this authority, pointing to the overlapping arenas in which the discursive contest over the transition is waged.

Maks Tajnikar

I met Dr. Tajnikar in mid-1996, a few months after he returned to his academic post as a professor at the Faculty of Economics in Ljubljana. Dr. Janez Drnovšek, the Slovene Prime Minister in 1992 (he has since been re-elected) appointed him to be Minister of
Small Business. A scant few years later the economic ministries were restructured and Tajnikar then became Minister for Economic Affairs, a post that he held until early 1996, at which time he resigned due to scandals surrounding Tam. As Minister of Economic Affairs, Tajnikar was the person formally responsible for drawing up Slovenia's industrial policy, its program of aid to different sectors of the economy. His ministry was not explicitly involved in the privatization of social property -- this fell to the Ministry of Economic Relations and Development which supervised different aspects of this process, including the approval of privatization programs submitted by individual companies to the Agency of Privatization. The Ministry of Economic Affairs, or Ministrstvo za Gospodarske Dejavnosti, was to redefine the role of the state in the economy after fifty years of self-management socialism and during a time when still less than half of the economy was privatized. Furthermore, Tajnikar was one of the crucial persons outlining the role of the government in the operation of the business sphere, including the realm of small business.

Tajnikar trained exclusively at the Faculty of Economics in Ljubljana, which he also received his graduate degrees. His initial training was in macroeconomics, but he switched to business studies as did many economics professors of his generation. Tajnikar began to specialize in business studies in the late 1980s, becoming one of the founders of GEA with Aleš Vahčič and Tea Petrin. Dating the shift to business studies with the passing of the Enterprises Law and a subsequent boom of small private businesses; Tajnikar draws a set of distinctions between the new generations of business specialists and the older one:

Tajnikar: What would interest you is the fact that macroeconomists went into the sphere of small business instead of those who teach management courses at the faculty. We had a solid group of professors who specialize in company management, marketing, finance, and business organization. Most of their work was based on large business, yet little of it was based on practice. It is interesting to note that those who lectured about business had little practical experience. Yet
the changes in the business sphere demanded hands-on work, and this required that we combine two things. On the one hand...we had to comprehend the significance of the changes taking place in the sphere of small business. As macroeconomists could more easily grasp the importance of developing this sphere. Second, as I mentioned before, those who began to specialize in this field had to do a great deal of consulting. This meant understanding the urgency of this need and dedicating a great deal of time to practical work as opposed to the development of theory...¹

Tajnikar distinguishes macroeconomists' recognition of the needs of the small business sphere as an explanation as to why macroeconomists became specialists for small business as opposed to the older generation of management specialists. He also explains that for him, as for many other economists of his generation at the faculty, the shift to small business studies was a career move, as macroeconomics was not a promising field of specialization. There were very little possibilities for research in macroeconomics in the late 1980s, and furthermore, according to Tajnikar macroeconomics was a very narrow and demanding field:

Tajnikar: This generation realized that in the sphere of macroeconomics there isn't any...it is very difficult to break into the top level, to have something to contribute. We are not technically strong enough to reach this level. We were quite well trained in classical economic theory, and in one era of my life I had read all of Marx's texts...²

Tajnikar evaluates his shift to small business as a positive career move given that it was also a lucrative one. In another interview published in Delo (work), one of Slovenia's leading national newspapers, Tajnikar explains that some of his frustration in his

¹Interview with Maks Tajnikar.
²Interview with Maks Tajnikar.
specialization stemmed from the fact that he could not make any money practicing his
profession. He mentions that when he was working at the university as an assistant he was
not even able to buy a car.\textsuperscript{3} One has to mention here that being an assistant meant being a
full-time graduate student and teaching assistant, and as such many graduate students
around the world could sympathize with his situation. However, it was also the case that
one would remain an assistant with a Ph.D. if there were no professorial positions available
at the time.

In any case, Tajnikar complemented this transition from macroeconomic theory to
small business practice by broadening his range of activities beyond the strictly economic
sphere. In 1986 he became a representative in Ljubljana's city council and becoming a
member of the Communist Party. In being asked about the connection between his political
practices and his professional ones, Tajnikar links them together in this way:

At that time I wanted to be recognized in society as an economist. One of the goals
that I set for myself during my time as an assistant was to be recognized as an
economist, as someone who knows something about the economy. I wrote articles
for \textit{Teleks}, sometimes every week, sometimes for \textit{Delo}'s Saturday supplement, and
I led televised roundtable discussions. I considered these to be the ways that
someone could attain recognition as an expert in one's field in Slovenia. A person
who wished to have a serious influence on economic policy had to become part of
the appropriate institutions, and thus I steered into Party waters at that time. My
entrance into the sphere of economic policy--as was the case for the majority of the
young--was through the organizations of the League of Communists, even though
there was yet another way to achieve this end: participation in government
institutions. However, for young professionals this was much harder to access.\textsuperscript{4}

\textsuperscript{4}\textit{Ibid.}
Whether it was due to his work within the Party, his writing on economic policy during the Mikulić and Marković administrations, or his consulting work for small businesses, Tajnikar soon became known and was part of a group of economists within the political sphere who developed economic policy.

Tajnikar took his final step into the political sphere when he was offered a ministerial post by Prime Minister Janez Drnovšek. As I had mentioned earlier, in Slovenia’s first multi-party elections held in April, 1990, the DEMOS coalition won by a very slight majority in two out of the three houses of the then Republic Assembly. Lojze Peterle as head of the Christian Democratic Party of Slovenia became Prime Minister due to his being the head of the party within the DEMOS coalition that received the greatest number of votes. While the DEMOS coalition was able to implement the reforms needed to realize Slovenia’s independence from the rest of Yugoslavia and was able to maintain it, its stability began to sway due to strong division within the Assembly that were exacerbated by the debates concerning privatization. The arrival of Jeffrey Sachs and the resignation of Jože Mencinger were the first events that marked a political debate that lasted for over one and a half years. By the time privatization legislation was finally passed, the DEMOS coalition had been dissolved and Lojze Peterle, though he had survived two votes of no-confidence during 1992, lost a third motion and was replaced by Janez Drnovšek, whose party, the Liberal Democracy of Slovenia, won the legislative elections held later that year. Drnovšek became Prime Minister of a coalition government with the Christian Democrats and the Associated List of Social Democrats, which was the party of the older generation of the League of Communists. A member of the Associated List of Social Democrats, Maks Tajnikar was appointed by Drnovšek to become Minister of Small Business, and later, Minister of Economic Affairs.

As Minister of Economic Affairs, Tajnikar had the opportunity to put his ideas concerning the business sphere into practice. His ministry was in charge of outlining the role of the government in relation to rapidly changing sectors of the economy. According
to Tajnikar, his industrial policy had to take into account three major processes that were 
reshaping Slovenia's economy: the rise of small businesses, the emergence of a services 
sector, and privatization. The first two process formed part of a larger process of 
restructuring, while privatization of itself introduced another sort of dynamic. According to 
Tajnikar, the small business boom was one of the major factors reshaping Slovenia's 
economy:

Tajnikar: At that time there was a small business boom. The number of small 
businesses being rose sharply. Between 4000 and 6000 companies were being 
created each year, which is a very high number for Slovenia. This meant an annual 
rate of growth in the number of small businesses that amounted between 40% and 
60%. These were the rates of growth in 1991, 1992, 1993...

Bajuk: How successful were these companies?

Tajnikar: In terms of profitability, these companies were continually above average, 
even today. And it is also characteristic of these small business...for example, last 
year, if one looks at company balance sheets, medium to large companies taken 
together show a loss while the small business sector showed a profit.  

Tajnikar links the rise of profitable small companies with a range of sweeping 
changes taking place in Slovenia which included the changing structures of demand among 
Slovenes and the ability of small companies to respond to them. The development of the 
services sector, which was virtually nonexistent under self-management, was an example of 
this change. Tajnikar argued that the success of the smaller companies was their ability to 
fill in the "black holes" that existed in the Slovene economy rather than their ability to 
successfully compete with large companies who maintained established positions in certain 
markets. Just as Petrin had argued that there existed a "black hole" in the market structure

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5Interview with Maks Tajnikar.
that pointed to the lack of small companies within the economy. Tajnikar argued that there had been a corresponding lack of companies to satisfy the demands of the services sector. As such, it is not surprising that the greatest number of small companies were established to fulfill the demand in that sector.

However, the restructuring of the economy, according to Tajnikar consisted of the success of some spheres as well as the failure of others, particularly in the case of large companies which had a very difficult time adapting to the changes set in motion since 1988, to say nothing of the systemic economic crisis of the 1980s.

Tajnikar: Those who lost their jobs were mainly those who were employed in large companies. If you exclude last year [1995] since last year things began to improve...if you take into account the years between 1990 and 1994, we lost 120,000 jobs. We lost them. Yes, this is crazy for Slovenia because the total workforce amounts to approximately 600,000. Virtually all of the 120,000 jobs that were lost were lost in large companies, meaning those companies that employ more than 500 persons. On the other hand, approximately 30,000 new jobs were created, most of them in the small business sector...Things remained relatively stable in medium-sized companies, where we lost 6000 jobs, but relatively speaking this is negligible figure.

Just as the success of small companies lay in finding new economic niches, Tajnikar explained that the crisis among large companies was partly due to the need to restructure those companies whose business depended upon heavy industry, which was becoming obsolete due to decreasing markets. The duties of the ministry thus included devising different programs for the particular needs of each economic sector. In the case of the small business sector, the ministry coordinated the institutional backing for a nationwide network of support for entrepreneurs and small businesses with the help of the Chamber of Commerce of Slovenia.
Tajnikar: During the time that I was minister, we put together a broad support network for small businesses. This support network employs over 600 persons all over Slovenia. We combined state funding with private funding to set up a centers on the national and regional levels. This network has also hired a number of companies to provide services. This network has been the most successful program of the ministry.

While the mounting of the small business network was considered a success by Mr. Tajnikar, the aid that the ministry offered for large companies was much less straightforward as well as less effective. The substantial loss of employment that this sector suffered points to the dimension of the crisis suffered in large companies. According to Tajnikar, large companies bore the brunt of Slovenia's transition to an independent market economy; some of the problems were inevitable costs of such a shift, yet others were issues and problems that could be eased with an effective, well-coordinated industrial policy plan. This industrial policy would require the close cooperation of a number of state ministers, and thus becoming an alternative to the state's then informal "laissez-faire" approach. Tajnikar did not succeed in implementing such a plan, and, according to him, companies like Tam and whole sectors of the economy suffered because of it. Tajnikar's explanation of the failure of Tam was expressed in terms of a critique of the government's economic policies and their implementation.

Tajnikar: As I mentioned earlier, we had a crisis in our large companies. This was something greatly worries Slovenes, and it still does today. We lost a great number of jobs because these companies could not adapt to the standards of competition that operate in the European markets, in open markets. The crucial question became how the state was going to aid companies in crisis. There are two methods: I refer to the first one as putting out fires. When a crisis arises in a company, government officials come on the scene and they try to help. However, this is not industrial
policy, this is a sort of policy of intervention [intervencionizem]. The second alternative would be an industrial policy which would comprise a coordinated system. A sort of order, a systematized plan of support that would aid companies in restructuring themselves. My aim was to set up this sort of policy, and we drew up a number of laws that were then presented in the National Assembly that were to provide this sort of support for companies. Company restructuring was to remain decentralized, which meant that the government would not come in to rescue the company, but that the persons in the company would resolve the problems on their own. This was one of the more controversial aspects of this sort of policy....And it was one of the main reasons why I resigned from my post then...There were some problems within the coalition because some believed that every restructuring project was supposed to succeed. Some projects don't have much of a chance of succeeding, it is obvious that you cannot save everything.

Tajnikar here describes his attempts at drawing up a consistent economic policy as trying to find an effective middle ground between a strict laissez-faire approach -- which was popularly ascribed to Prime Minister Dmovšek and his Liberal Democrats -- and a policy of explicit intervention on the part of the state in the affairs of individual companies. Tajnikar considered that a policy of intervention would inhibit the companies' adaptation to market standards of competition. Yet at the same time, Tajnikar's approach is still based on a presumption that the crisis in these companies stems from their difficulty in adapting to these standards and that many of them would be weeded out by the market. He expects the failure to adapt on the part of these companies as something natural, and considers the anticipation of saving these failing companies as an economically non-viable project. However, the controversy around companies such as Tam lie in their not accepting the crisis and failure of these companies at face value. How do different parties diagnose the crisis in Tam and what sorts of expectations do they have for Tam's future?
TAM

Tam was one of the largest producers of automobiles, buses and trucks in Yugoslavia. The company formed part of the industrial belt around the city of Maribor in the northeastern part of Slovenia, and at its height employed over 8000 workers. Approximately 80% of Tam's production was sold in Yugoslavia, with the Yugoslav National Army accounting for half of that amount. The remaining 20% of Tam's production was sold abroad. Tams difficulties began in 1987, and reflected the state of relations between the different Yugoslav republics, particularly those between Slovenia and Serbia. The gradual deepening of the Yugoslav recession had a negative impact on Tam as on the rest of the economy. Tensions between Slovenia and Serbia continued to mount, by March of 1989 both republics had virtually cut off business relations and there was a boycott on Slovene goods. By 1991, the Yugoslav market had fallen apart.

As many companies across Yugoslavia whose livelihood previously depended on Yugoslavia as a market, Tam had to find new markets of its goods. For Tam not only depended on Yugoslavia for consumers but also for producers of raw materials. With Slovenia's independence, Tam along with many other Slovene companies had to face what many economists had warned about, namely the cost of foregoing the Yugoslav market. All these technical debates concerning the size of this cost and whether or not this should influence the decision for independence became irrelevant with the onset of war. (One economist in all seriousness explained to me how he had tried to calculate the different between counting the rest of Yugoslavia as a domestic market or as a foreign one, and how all his calculations were thrown off because he hadn't factored in the possibility of war.)

The debates surrounding Tam concerned in part the way that it tried to expand its business abroad. Tam's business practices became a subject of public discussion in 1995 when a special law to save Tam was brought before the National Assembly. By that time
Tam employed only 2800 persons and was experiencing such financial problems that only a substantial intervention on the part of the state would be able to put the company back on its feet again. The law would provide enough funds for the company to continue operating and to pay off some of its debts. However, the state’s Agency for Payments, Supervision and Information (Agencija za Plačilni Promet, Nadziranje in Informiranje) audited the company, in line with its duties concerning companies that were still socially-owned. The Agency found that Tam had paid astronomical commission rates to middle-man companies that had mediated business deals between Tam and a number of Russian companies, including Gasprom. The commissions (23% of the total sale of buses, 15.5% of the total sale of automobiles) paid to these companies were much higher than the commissions Tam paid to other companies, which ranged between 2% and 5%.

According to Stanislav Kovač, an investigative reporter who worked for Mladina and who was one of the first who wrote about the Tam’s questionable financial transactions, Tam turned to companies whose services it had used before, companies that had already established business relations abroad, and it began searching for new buyers in the countries of Eastern Europe, the former Soviet Union and of the Middle East.

One of them was Progres, a company in Belgrade that employed a Serbian businessman called Vukoman Zarić, who helped arrange business ventures for Tam in Russia as early as the 1980s. After the fall of Yugoslavia, Zarić became an employee for Tam on the basis of his knowledge of the Russian markets. Tam’s branch in Frankfurt, Tam Deutschland, opened an office in Moscow, and Zarić became a member of the Moscow office. Zarić also had a private company of his own based in Cyprus called Tammex. He was Tammex’s majority shareholder with 33.4% of the company’s shares. Sašo Zarić and Branka Zarić were the other shareholders, each with 33.3% of the company’s shares. From this breakdown we can conclude that it was a family-owned company...The Serbian businessman set up formal relations with Tam Bus as a representative of Tammex on January 1st, 1992,
at which time Tammex and Tam Bus Deutschland (branch of Tam Bus of Germany) signed a business contract. In it Tam Deutschland agreed to pay a commission to Tammex from all its sales mediated by Tammex in the former Soviet Union. The contract aroused a great deal of interest among the auditors of the Agency for Payments, Supervision and Information who came to audit the entire Tam business complex. The rates of commission that were agreed upon in the contract were much lower than those that were actually paid. The contract stipulated that Tammex would receive a commission of 2% to 2.5% of the sales of the vehicles. A year and a half after the company in Russia had purchased its first buses and automobiles, Tammex had received a much higher commission: 23% for buses, and 15.5% for commercial vehicles... Tam Deutschland had a contract with Tam Bus, which granted Tam Deutschland exclusive rights to represent Tam Bus in the sale of all buses and their replacement parts in its business in the former Soviet Union, Iran, Germany and in other markets. According to this contract signed on the January 1, 1991 by the director of Tam Bus at the time, Andrej Hazabent (former director of Nova Kreditna Banka Maribor) and the director of Tam Deutschland, Branko Žavcer, Tam Bus would recompense Tam Deutschland with a commission of the sales made abroad. At the same time Tam Deutschland was also paying a commission to its intermediaries which aided in the sale of Tam buses to foreign buyers. The circle along which commission payments were transferred between Tam Bus, Tam Deutschland, Tammex and the Russian buyers was set in place between 1992 and 1993. By mid-1993 the obligation of paying Tammex for its services fell to Tam Bus in Maribor.6

The relations between these companies formalized by the trail of documents outlined above is not in itself questionable. In fact, the cropping up of private companies established by former employees of socially-owned companies who then turned around to sell their services to their former company was very common. These persons were in some sense "privatizing" their skills or connections that once served for the benefit of a self-managed firm to become skill than could be exercised for private profit. The question lay instead as to whether or not these "entrepreneurial" practices would be exercised at the expense of social property which was the property of all Slovene and was to be distributed accordingly through formal privatization. Where could one draw the line at what could be considered healthy business practices in a market economy and what criteria could be used to evaluate these practices in a different light?

The discovery of suspiciously high commissions paid to Tammex in Tam's accounting books led to reports of Tam's questionable business ventures abroad. The first transaction negotiated by Tammex for Tam was the sale of 100 buses to a Russian company called Gasprom for USD 10.7 million. While the contract had stipulated that Tammex would receive between 2% and 2.5% of the value of the sale, it instead received a commission of 23% of the sale, or USD 2.5 million dollars. While one would assume that the production and sale of 100 buses would provide Tam with a healthy profit, this was not the case. Gasprom paid USD 107,660 for every bus; of this amount USD 25,660 went to Tammex in payment for its mediating services, and USD 82,000 returned to Tam as payment for the bus. However, from Tam's own records, the buses had to be sold for USD 103,400 for Tam to break even. Thus, for every bus that Tam sold Gasprom it lost USD 21,4000. While Tam lost USD 2.1 million in the sale of the 100 buses to Gasprom, Tammex made USD 2.56 million for its mediating services.7

Official representatives of Tam tried to explain away these high rates of commission paid in the face of substantial business losses as their being determined by the market and

7Ibid., pp. 219-220.
varying from country to country. According to Bojan Naglič, director of Tam Bus in 1995, in expanding its business abroad Tam adapted to the going rates in each country.

In Slovenia we offer a rate of 3.5%, in Iran 6%, but the rates in Russia stand out significantly among them. Our representative has worked in the Russian market for ten years. After the dissolution of Yugoslavia he became a Tam employee, and I would not know if we would have been able to do business in Russia without him. On the other hand Tammex has increased the distance between buyer and seller. The Cyprus middleman takes care of all the transactions, and now we don't even know whom to call if we wished to contact our buyers directly.8

However, not everyone interpreted Tam's losses as determined by market forces but instead some identified this as an example of the way the business was systematically conducted during the post-war era in Yugoslavia. This was the claim of Edo Ravnikar, an architect and author of the term udbomafija. In 1992, Ravnikar began to write articles in Delo, addressing the exotic financial scandals and wild privatizations that were occurring with a disturbing frequency. He defined them as the work of a parallel economic system that existed in Yugoslavia and that continues to exist in symbiosis with the present economic system. In his book published in 1995, Ravnikar offers an extensive presentation of this parallel economic system which he argues is a continuation of practices begun in the 1950s. Citing the writings of Yugoslav dissident Milovan Djilas, in which he describes the methods employed by the Party to siphon funds and invest them abroad with the aid of the state's secret service agencies, Ravnikar relates the continued relationship between the secret service's foreign business networks abroad and the Yugoslav economy9. While not drawing a straightforward continuity between the Yugoslav past and Slovene present, Ravnikar in his book portrays how these practice and networks adapted to

the circumstances of Slovene autonomy after independence, mapping out the way a similar relationship of interdependency between these businesses and the Slovene state were set in place, with the majority of key positions once again occupied by members of the previous system.

**UDBOMAFIJA**

Ravnikar's critics rightfully point out that Ravnikar does not have the financial training to enable him to develop these fantastic theories. Instead, Ravnikar's construct of udbomafija is based on Ravnikar's personal experiences trying working abroad with his father, who was a very well-respected architect in Slovenia who designed the Ljubljana's modern concert hall, *Cankarjev Dom*. Not realizing how distinctive the trajectory of his own architectural practice had been, Ravnikar outlines a common-sense sensibility about the dynamics of business practices abroad as he had witnessed them.

However, as Ravnikar himself explains, his interest in what he terms udbomafija was in part determined by his family history. His was an old landowning family from the region close to the Italian border called Primorska. When Primorska came under Italian rule between both world wars, many in the region allied themselves with Slovene communists insofar as the communists were considered to be anti-fascist. Many later joined the Slovene partisans (that later came under the direction of Tito) as one of the anti-occupational armed forces when Italian occupation during the Second World War expanded eastward all the way to Ljubljana. As such the Ravnikars were a left-wing nationalist family, a combination not common in present-day Slovenia, where nationalist feelings are deemed as irrational and ascribed to the right wing.

Ravnikar's knowledge of these business practices stemmed from the experiences of his family among the partisans, particularly that of his great-uncle who lived in Trieste and
who was involved in disputes over control over these very networks which Ravnikar explains as being between Slovenes and Serbs:

   Bajuk: As I understand you are an architect by trade. How did you become interested in these sorts of organizations and when did you begin writing about them?

   Ravnikar: Two reasons: first was the family connection. My uncle, my father's brother, began working in Trieste after we won the war. During the war, World War II, each in Yugoslavia fought their own war with the Germans. It was only after 1945 that this was all brought together under the Yugoslav army. Until then Slovenia was on its own, Croatia was on its own, and so on. When the Slovenes won on their own territory, they took Trieste. Maybe you do not know, but Trieste was liberated -- as we referred to this -- and my uncle was among those partisans who afterwards organized Trieste. He was actually from Trieste. This is why I know so much about the Slovenian organization in Trieste. I know that they were the ones who set up the foreign business connections and that the Serbs then took this over. I know these stories from my aunt, about how the Serbian woman came in rags and in two weeks they were already walking around in fur coats. The Serbs killed my uncle and destroyed the Slovenian organization, replacing the whole thing with a Serbian organization. This amounted to the Serbian takeover of Yugoslavia. This is one of my "inside" views on this whole affair, first hand.

   Bajuk: When did this happen?

   Ravnikar: 1945, 1946..

   Bajuk: So soon after the war?

   Ravnikar: Immediately after the war they [Serbs] intervened, because if they let this go on for another six months we would have begun to negotiate with the British, and maybe...there was no Yugoslavia at that time as of yet...and maybe Slovenia would have made a deal on its own. This was why it was necessary that this whole
organization be destroyed immediately. Yet this was a question of business, people think that they were persecuting some class enemies. This was a business problem. It began with the smuggling of cigarettes. No one explains this properly. Yugoslavia smuggled cigarettes into Italy. This is important, though it might not seem so at first. Italy had a monopoly on cigarettes, and the first source of foreign exchange for Yugoslavia was American cigarettes they smuggled into Italy. This was the first financial basis for what I later call the udbomafija.

Ravnikar’s experiences working abroad began in the early 1960s while he was still an architecture student working as an assistant for his father on a project near Venice. He then traveled to London to pursue graduate studies in architecture. Right before he was to finish his Ph.D. and defend it in 1973, he returned home on a vacation which coincided with the end of the era of liberalism in Yugoslavia. Ravnikar had his passport taken away and thus had to remain in Slovenia, leaving behind his studies and his practice in London. As he explains here in the preface to the second edition of *Udbomafija*, Ravnikar identifies himself with a generation whose lives were indelibly marked by the harsh shift from market socialism to contractual socialism in 1973.

My generation experienced Kavčič’s liberalism in the years during which a person begins a career, makes plans for the future and is full of youthful energy. Although they do not deserve too much praise, those were four optimistic years that boded well for the future. This short period of relative freedom ended abruptly in 1973. In a span of three months the regime broke all its promises and swept away our illusions. This left a trauma that some generations have yet to shake off.10

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Ravnikar's elaboration of the udbomafija is based upon his attempts to continue to work on international projects, during which time he encountered the network of Yugoslav companies that work abroad. According to Ravnikar, these networks were evidence of certain continuities that were maintained below the surface of the changes in the formal system since the end of the war, including those set in place in 1973.

Ravnikar: The regime did away with liberalism, it forbade liberalism but then went into liberalism for its own benefit. And here a division was formed between the ideological...are you acquainted with Kardelj's legislation on self-management?
Bajuk: Yes I am....
Ravnikar: One line went into self-management. This was only on paper, we referred to it as a ritual. The English word for this is very apt: ceremony, self-management ceremony. We managed something, yet how did this work in practice: two days a week you implemented self-management by means of a ceremony that made it appear that you decided to do something which you were told beforehand that you were required to do. That is how this worked. This was wearisome, unpleasant.... you had to wash out your mouth afterwards.

At the same time -- and this is very important -- an unrefined mafia organization was being set up, an extremely liberal...no, that is not the right word...wild capitalism...I do not know what the proper word is these days.. but that most brutal system, the kind that Nigeria now has, Burma and Turkey. This is now coming to light, only yesterday Clinton made a comment about...Burma. A regime maintains itself with drug trafficking and with slave labor. Then it provides concessions to companies like Shell at a low price...that is wild capitalism. This began in Yugoslavia in 1973.

In my architect firm we had a big project every other year, a project valued between 10 and 30 million dollars. We designed a great deal of houses. Not in Slovenia, but elsewhere in Yugoslavia and in the world. When you build a house
you come to work with the financing of the project because you have to explain what you will do, and a loan has to be taken out. We designed hotels, public buildings, infrastructure. It was rather funny, but if you knew something you would invariably be able to find work. However you always had to find -- this is called a "cap" - a figurehead company that was of the regime. They hired you for your technical expertise and for this you were paid 10% [laugh]. You had to do everything for only 10% and we had a hard time making ends meet. Yet in these projects we saw everything: the financing, marketing, production, the factories that worked on these projects....I believe that in the Yugoslav situation the architect was one of the most strategically placed persons because he was able to see the whole complex operation, from the political level on up....This might sound strange in America...but maybe not so strange. Let's say that if in America you work in Washington, close to the channels of power, and that you get work through those channels you then also learn how these channels of power operate. And being an architect has a bit of glamour, a great deal of money is turning over in the project and in the office itself. The whole affair has an aura about it, and the whole thing is considered to be quasi-artistic [laugh]. The regime tolerates architects because they are crazy artists.

So, the regime set up heart-felt business relations with the West. Yet so that this would not be apparent, they did something very simple: they established a bank in Frankfurt. They set up a bank in Frankfurt, sent their Slovene people there after enrolling them in the best schools. When they finished their training in, say, America or Germany they were stationed in Frankfurt, not in Ljubljana, nor in Belgrade. They remained in Frankfurt. This was how they established an elite, a clique...how should I say this...ex-patio, who managed the whole foreign business operation. This was the same in Russia as well as across the whole eastern bloc.

It is very simple: from Yugoslavia you export...anything, from pigs to
manufactured products. This all sold quite well due to the cost of the labor force and the profits were considerable -- a profit of, let's say, 20% on Yugoslav products. But this profit never made back into Yugoslavia. We called them the great export companies: these were Genex -- we know them by name -- another was Inex, then there was Energoinvest -- that was the Bosnian company -- the Macedonians had one whose name escapes me at this moment. Each republic had one. Slovenia had Slovenijales, Lesnina, Metalka, these sorts of companies.

This was apparently distributed in the self-management fashion across Yugoslavia, but as soon as you went over the border in Trieste the whole operation was linked together. These last three years I have worked in Podobnik's parliamentary commission as a mafia expert in these sorts of investigations, particularly those involving Ljubljanska Banka. The whole thing is very clear to me. The Serbs were the majority owners of all these operations. Then you had the Croats and the Bosnians. Majority ownership given the Serbs, and then ownership by percentage for the rest of the republics...

The whole thing is so simple! That 20% on Slovenian products stayed outside, and we Slovenes got all the costs. These costs included wages, schooling, medical services, roads, infrastructure... We had all this, except for the profit on our products. With that profit Slovenia would have been able to develop economically -- albeit a few steps behind the developed economies -- but instead the profits remained in foreign banks for that mafia...

These operations were directed outside Yugoslavia by the intelligence services of the regime. There were three different agencies. One was UDBA: this was the secret police, an FBI of sorts...

Bajuk: For national operations...

\[11\] Marjan Podobnik is the head of the People's Party of Slovenia, Slovenska Ljudska Stranka, and a member of the National Assembly. As head of an investigate commission of the National Assembly Podobnik was instrumental in bringing many financial scandals to light.
Ravnikar: Yes, national. Then there was KOS, the counter-intelligence agency. This was the military intelligence agency, like a military CIA. They were involved because a great deal of the business overseas was in the sale of arms. Yugoslavia had a lot of dealings with both Iran and Iraq. Most of this was produced in Slovenia. Even that tank which the Serbs sold the Iranians and the Iraqis was almost entirely produced in Slovenia: from the motor to the artillery shells and the electronics. Yugoslavia worked a great deal with foreigners, especially Slovenia: 60% of Slovenia's production was for export. The US exports only 5% of what it produces. Of course the situation is different as much of US production is for internal consumption. Yet Slovenia exports a great deal all the same. And they supervised all this export, partly because some of it fell under the military program and partly because some of it was intelligence oriented: UDBA, KOS and the diplomatic intelligence service were involved.12

In this manner Ravnikar explained to me the way that he experienced and interpreted the dynamics of this parallel economic system that subsisted on the business of Yugoslav companies that were allowed to export their goods or services. Thus one can begin to see the reasons why Tam's payment of absurdly high rates of commission to middlemen for business transactions abroad were not considered by some as bad luck with foreign exchange rates. Instead, Ravnikar provides another narrative account of Tam's decline.

Ravnikar: Let's take the case of Tam which is very interesting. The SDK13 has reviewed it, we reviewed it in the investigative commission, the National Assembly

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12 Interview with Edo Ravnikar.
13 The SDK (Služba Družbenega Knjigovodstva), or Office of Social Accounting, is now called the Agency for Payments, Supervision and Information (Agencija za Plačilni Promet, Nadziranje in Informiranje). It was responsible for conducting audits of all socially owned companies until they are finally privatized, and was instrumental in uncovering a number of financial scandals. I will address the work of the Agency for Payments in chapter six.
reviewed it in its own fashion, and we now know exactly how this worked. Tam was a company that was part of the Yugoslav National Army's military program. This included the production of cannons, motors, tanks, and trucks. Tam provided a great deal for the military program for Iraq, Iran, and Russia. How did this operate? Belgrade established a company -- Tam Deutschland -- in Germany, put in position a Slovene whose last name is Tavčar, who at the same time worked for Belgrade counter-intelligence. They hired a Slovene who spoke Slovene and understood the situation in Slovenia but that was their agent in....

Bajuk: Tam Deutschland...

Ravnikar: Exactly, and they did the same in Czechoslovakia and in Russia. Tam sold its products to Tam Deutschland and was compensated for them, but from then on Tam did not know what happened with the products or with the money. They didn't even know to whom they sold the products. Tam did business with Tam Deutschland, and as far as Slovenia was concerned, the deal finished there. They sent the car or truck there and got money in return, though only enough so that they could produce the next car. Ljubljanska Banka would cover any losses incurred. This was taken care of in the bank itself where this network had someone who could assure the credit if necessary so that the company had enough to pay its workers. The interesting thing is that up until last year this operation still worked without any problems. The director is still the one that Belgrade assigned there in 1985, and in Maribor the director is still the one that Belgrade placed there, Andrej Hazabent...

Bajuk: Isn't he the one who is now head of the Credit Bank of Maribor?

Ravnikar: Yes, now he is in the bank [laugh], the one who in 1986 was the director of the military program in Tam, assigned there by the counter-intelligence agency in Belgrade. And this is how it remained, absolutely nothing had been changed. And when Tam went bankrupt...I saw the documents, I have them, they are in my file
cabinets, there is no problem if you need evidence. They simply established a company in Bermuda and invested the budget funds that they received from the Slovenian government for Tam's rehabilitation: for the preservation and restructuring of jobs for workers, the money for wages, for the social programs, and for the sale of their products. They simply funneled this into that company in Bermuda and then came on the scene as a foreign buyer who wanted to put in a bid for Tam. If this transaction had succeeded, then this Serbian network would have become the legal owner of Tam in Slovenia, Tam in Germany, and its entire business network.

I saw this in Venice in 1963, I saw something very similar in France later on. Then I saw this happening in Yugoslavia in 1973, and in 1980, and then I saw the same thing in Slovenia in 1992. The same thing, nothing had changed, the same people were in the same places, I recognized them and knew who they were. We always knew who was who. And that is what upset me, and that is the reason why I began to write.14

Ravnikar's discourse touches upon differences of understanding concerning transition and change that shape interpretations of Slovenia's sovereignty. For Ravnikar, the rise of DEMOS and Slovenia's independence meant a break from the Yugoslav political and economic system as he understood it. This also implied a break from the old business networks which he above defines as distinctly Yugoslav, the control of which was broken down among the former Yugoslav republics according to their respective sizes. Ravnikar mistakenly believed that the business practices of the former system were common knowledge, and began to worry when DEMOS came to power but did not take any measures to complete Slovenia's transition from Yugoslavia.

14Interview with Edo Ravnikar.
Ravnikar: Why did I begin to write? When 1990 came around, and we had the war, I was convinced that people knew about this -- and this was my great mistake, for I believed that everyone else knew what I knew. It turned out that due to my background I knew a great deal more. I also was very interested in these things, from the experiences of my uncle to my own experiences in Italy and France.

In 1990 I became panicky when I realized that in Slovenia people don’t know anything about this. Those that came to power, the DEMOS coalition, they didn’t understand anything. This became clear to me all of a sudden around 1990. Then I began to write articles in Delo -- this was 1991, 1992 -- while the war was still going on. Then the Yugoslav army retreated from Slovenia, and the media interpreted this as evidence of Drnovšek’s diplomatic capabilities. This infuriated me because until six months before then Drnovšek had been the president of the presidency in Belgrade, and had arranged everything with Kadijević. And Kadijević, he was the real KOS, that Yugoslav mafia. [laugh]. Drnovšek really aided Belgrade because he didn’t want to know anything, and he helps himself that way today. He doesn’t know anything about anything, it is better that he does not know. Yet he returned to Slovenia, having already agreed with Kadijević that the army will leave Slovenia.16

One of the main indicators that in Ravnikar’s eyes points to the continuity of the system is itself a topic that is greatly contested in Slovenia: namely, the fact that the overwhelming majority of Slovenia’s former elite has maintained its positions of power.17

15Dr. Janez Drnovšek is the present Prime Minister of Slovenia and the head of the Liberal Democratic Party of Slovenia (LDS) and the last Federal President of a united Yugoslavia. Kadijević was the commander of the Yugoslav National Army at the time of Slovenia’s independence.
16Interview with Edo Ravnikar.
17Rus, Andrej and Hajdeja Iglič. forthcoming. "Dinamika sprememb v egocentričnih omrežjih slovenskih elit v obdobju 1988-1995." This study forms part of an international research project led in part by Ivan Szelenzi, a Hungarian sociologist and co-author with Gyorgy Konrad of the famous text on intelligentsia as a class under socialism --
This has been a problematic issue for those who were against the communist regime and who assumed that independence from Yugoslavia also included independence from communist as a political and economic structure within Slovenia itself.

Despite the formal change of the political and economic system, the positions of power outside those that were elected offices remained in the hands of those who had filled these positions in the previous system, which for many was a stronger indicator of the degree of change in Slovenia than the passing of economic and political reforms. They identified the positions of these persons with a complicity with the previous system which they considered irreconcilable with the criteria necessary for maintaining a position of influence in a system that was considered to be the negation of the previous system.

However, Ravnikar interprets the continued predominance of the old elites and nomenklatura as evidence of the continuity of the udbomafija. The power of the elites does not lie in the formal positions that they have maintained through the transition process, but in the informal connections that they have to an unseen structure of power. In other words, their positions are more the manifestations of a continuity than the cause of it.

Ravnikar: Drnovšek doesn’t know anything. They asked him about Tam, and he was not informed, he didn’t know anything. They asked him about the banks, and he didn’t know anything. Tam cost him Tajnikar since Tajnikar had signed those documents, and now Thaler signed these. Yet Drnovšek is clean. If you know a bit about the mafia, you know that Al Capone is always clean. He is always five minutes away from wherever anything is going on. This is the same technique.

You never have anything on Drnovšek. As long as you don’t have anything on

*Intellectuals on the Road to Class Power: A Sociological Study of the Role of the Intelligentsia under Socialism*. He is presently a professor of sociology at UCLA and is head of a team of professors that mounted a study of elites in the countries of Eastern Europe and the former Soviet bloc. Although the project in Slovenia was not funded along with the ones implemented in other countries, the same sorts of survey and questionnaires were used to investigate the changes in elite groups in Slovenia between 1988 and 1995. Finding show that there was very little change in these elites, which was interpreted as a sign of the skill and flexibility to change among Slovene elites.
him, he is here working for them. The moment that you put Drnovšek behind bars, everyone would drop him. The same goes for Kučan.\textsuperscript{18} This is the continuity of the political system that ensures the continuity of the economic system.\textsuperscript{19}

The sorts of opinions which Ravnikar published in his series of articles and in his book were not received with silence, particularly because his charges of complicity were not limited to the political nomenklatura but extended also to intellectuals, who also formed part of the network of parasitic elites that helped maintain the colonization of Slovenia.

Ravnikar: All this comes out of the workers' gross wages. The parasites of this parasitic system are the intellectuals. What is the job of Spomenka's husband, Tine Hribar? He is a philosopher, he translates Heidegger. Heidegger isn't modern any more. No one has ever translated Popper; I think the best of Popper. No one has ever translated these modern philosophical movements into Slovene: Feyerabend, Kuhn, those Americans. Mr. Hribar translates Heidegger; these big fat books, and he lives off them for ten years. He receives funds from the cultural budget, meaning that the gross wage of the worker allows Mr. Hribar to translate slowly, extensively and very expensively. He travels to Germany to conduct research and every year or two a new book is produced, which he then pompously presents. He receives a huge amount of money, only that I call this being a parasite of the parasite. If I were in power the first thing I would do is take that money away from Mr. Hribar and give it back to the workers so that they would have enough money for potatoes. [laugh]. Because people are hungry. Why would I give the workers money for potatoes? So that they could have some children since the birth rate is dropping; so

\textsuperscript{18}Maks Tajnikar as Minister for Economic Affairs was brought up on charges of corruption before the National Assembly in connection to the rehabilitation of Tam. Zoran Thaler as Minister of Foreign Affairs was brought up on charges of corruption in connection to the failed rehabilitation of Trieste Credit Bank. Milan Kučan has been President of Slovenia since April of 1990.

\textsuperscript{19}Interview with Edo Ravnikar.
that they would feel like working and not simply work around the system; so that
the wives would be more content; and so that they would raise their children instead
of beat them -- all this. So you have to take this away from Mr. Hribar and return it
to some poor worker somewhere in Carniola. But Mr. Hribar will not allow this.
That is why his wife writes books against Janša.20

Ravnikar’s theories were categorized as conspiratorial, irrational, fantastic, and even
dangerous, as they threatened to sow unrest among Slovenia through manipulations and
uncharted, as they threatened to sow unrest among Slovenia through manipulations and
untruths. Pavle Gantar, a sociologist who was the Minister of Ecology at the time,
characterized Ravnikar’s discourse as conspiratorial, arguing that the notion of udbomafija
is a totalizing construct which can account for almost anything but cannot be rationally
proved by something outside itself.

The argument is strictly circular, meaning that explanations of the actions of the
udbomafija are self-referential, and that an absolute equivalence exists between
hypothesis and (empirical) proof. In this way we can deductively explain anything.
The concept of udbomafija is of course false; in other words, it cannot be subject to
the logic of proof. Since it is self-contained, we have the choice of either believing
in it or not.21

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20Spomenka and Tine Hribar are both intellectuals who wrote for Nova Revija and who both
were very active in the 1980s, both at Nova Revija and at the Committee for the Protection of
Human Rights that was established after the four were arrested by the Yugoslav National
Army in 1988. Spomenka Hribar herself became part of the political sphere, and was a
member of DEMOS. However, in 1992 when things became more polarized among the parties
that formed DEMOS, Spomenka Hribar as well as Tine Hribar began to critique members of
DEMOS, particularly those that were characterized as right-wing. Spomenka, who one of the
first who wrote about the system’s repression of anti-communists after the war, wrote an essay
in Delo called “Ustavite Desnico” in which she wrote about the growing fanaticism of anti-
communists. Those who were critical of the communist regime considered this essay a
dramatic turnabout on her part, and she is considered to be a turncoat. She has now turned to
critique the persons that she once worked with, including Janez Janša, who was Slovenia’s first
Defense Minister and is presently the head of the Social Democratic Party of Slovenia.
This is one of the valid critiques of writings concerning a secret system for which by definition there is no explicit proof. However, it is not my intention here to gauge the truth-value of Ravnikar's assertions in these terms, but to explore what sorts of issues Ravnikar raises that are otherwise relegated to the spheres outside rational discourse.

However, Gantar's description of the self-referentiality and self-containment of the udbomafija construct points to a fundamental divergence between interpretations of the communist past upon which official interpretations of the transition are based as opposed to the one posed by Ravnikar. The very term udbomafija is not used to describe isolated transgressions of an otherwise normal economic system but instead points to a systematized, state-run colonization (in Ravnikar's terms) of the economy. Its very name, in linking together UDBA (state secret service as a repressive organ) and mafia signifies mafia as a state institution.

In this light the continuity that Ravnikar warns against is the continued symbiotic relationship between the state and its mafia which he sees in the legitimization of the hidden "liberal" practices of the regime -- such as the ones that come to light in the case of Tam -- that are accepted as normal liberal practices, as business as usual. This process of legitimation depended upon a phenomenon that occurred in many post-communist countries: the rapid espousal of liberal market principles by the former nomenklatura:

It seems that overnight Djilas' new class transformed itself from a class of monolithic communists to one of liberal capitalists without a trace of trauma -- as becomes an ordinary mafia -- after, with a decades-long, unbridled arbitrariness, suppressing those better than them, those who did wish to be liberal and capitalist... Why don't these gentlemen explain -- from their new platform, since they have given up the old one -- what we went through during the last fifty years under their leadership. The veterans of apparent turnovers of power have left the scene without taking care to clean up the remains of their ideology left in their wake. They have left this behind, so that people may do with it as they please. Now they
have become liberal capitalists, and we worry about what this has all been about and we try to heal our ideological traumas.\(^{22}\)

It seems strange that those who identified themselves with the previous system instead of criticized it would be the first ones to benefit from the change. However, this shift seemed abrupt to those who understood capitalism and self-management socialism to be mutually exclusive in practice as well as in theory. Instead, Ravnikar argues that from 1973 onwards there existed a discrepancy between business conducted overseas and business conducted at home. In an sense Ravnikar tracks the transition to capitalism at least from 1973 onwards instead of from 1988, thus recasting what seem to be inconsistencies in one context as consistent in another.

I would argue that the possibility of this shift is determined in part by the reduction of the economic changes implemented during the last years of Yugoslavia to technical reforms. I do not mean here to reduce the years of crisis, the dissolution of Yugoslavia and the onset of war to a series of technical reforms, but instead I am referring to the way that the economic reforms that transformed socialism as an economic system were passed in the late 1980s. Far from heralding the introduction of private property as the end of socialism, official discourse rationalized the introduction of private property as the catalyst for reviving socialism and rendering it more efficient. The success of the depoliticization of these reforms is evident in the fact that these measures, implemented by governments attempting to maintain a functioning federation (as an economy) were marginalized in relation to the escalating political tensions and differences among republics as well as in relation to the stabilization measures aimed at arresting Yugoslavia' inflation.

The depoliticization of discourses and actions of reform has had a significant impact on the events in Slovenia. In the previous chapters I have been analyzing the accounts of the history of economic practice and economic critique, portraying the way that the most

substantive and significant critiques have been based on the premise of supposedly neutral economic principles. Apolitical discourses granted their speakers prestige, both in the economic and political realms. The technical prestige of economists lay in the autonomy of the economic sphere and the economic laws in which they specialize, while at the same time their depoliticized critiques allowed them to become interlocutors with government policy officials, some of them stepping explicitly in to the sphere of politics after Slovenia’s independence.

Going back to the actors of the processes of political liberalization of the 1980s outlined in the first chapter, one can trace different traditions of intellectual practice in Slovenia -- particularly from the 1960s onwards -- each with its own interpretation of what constitutes legitimate intellectual practice and what were the key faults of the communist regime. The variety of agendas and philosophies of these actors preclude the possibility of providing one narrative that would map out an inexorable trajectory of events culminating in national independence.

The different accounts related by actors of the area portray very few moments of cohesion. One of these was the operation of the Committee for the Defense of Human Rights, and only insofar as this was a protest of the behavior of the Yugoslav federal government, particularly that of the federal army in this case. The political success of the Committee for the Defense of Human Rights depended on its limiting its agenda to a certain number of issues around which virtually all Slovene movements (as well as groups of other Yugoslav republics) could rally: the protection of the human rights of the four persons arrested by the Yugoslav National Army. Of course, given the polarized situation in Yugoslavia at the time, the goals of the Committee for the Defense of Human Rights were also interpreted in terms of the tensions among the republics. However, it was this apolitical platform that allowed the Committee to act not as a dissident movement but as a political entity and to recognized by the state as one.
All the formal reforms that set changes in motion before Slovene independence were implemented by the nomenklatura who did not define these changes on the basis of a critique of self-management socialism (i.e. in ideological or political terms); critiques of this kind were later laid at the feet of the Yugoslav federal government. Thus Slovenia's shift towards a liberal market economy was naturalized as a technical process set in motion in 1989 which allowed for the shift on the part of the nomenklatura to liberal market principles soon thereafter.

The naturalization of market principles also allowed for rationalizing the evaluation of Tam's operations solely in terms of market success and failure on the supposition that exposing Tam to the forces of the market marked a significant change for the company. However, marking the imposition of market reforms in the late 1980s as the defining shift for Tam and other companies thus neglects the Tam's foreign experience from before 1989 and the political control which was exercised over it. The accounts of economists in the previous chapter centered upon the relation between business practices and politics, recounting the extent to which political supervision was exercised over this sphere, including at the level of dissemination of information.

In this context, then, the legitimation of the hidden "liberal" practices of the regime which Ravnikar identifies is a two-fold process: first, the history of these business practices and the conditions under which companies needed to work is masked by the naturalized implementation of market reforms. Second, these continued practices are recoded as normal business practices— or the only ones that these companies could find — thus shifting the responsibility of success or failure to the businesses themselves which are in turn assumed to be free economic agents.

Ravnikar contends that the identification of the udbomafija's practices with normal business practices is the biggest problem, the largest obstacle to real change. To do so he taps into arguments traditionally Western leftist arguments against laissez-faire economic policies:
Ravnikar: Let's take Boeing's story, the company that now works in China. There are now allegedly 3000 workers who were laid off by Boeing in California. Let us look at how Boeing became what it is today. First some people came from Europe. In the US they were able to find work in a field that didn't have such opportunities in Europe. They tried to develop the technology and know-how to improve. Then the war came. People were mobilized to work in their factories. They were required to become part of their labor force and they had unlimited money from the government: "just build the airplane in six months; it doesn't matter how it gets done, you will have all the money you need. You will get everything, raw materials, everything." This is what put Boeing on its feet. The advantages that Boeing was able to carve out for itself during the war became advantages on the world market as well. Boeing dominated the world market for thirty years because of this. Boeing was able to milk California and the government for its own benefit, and now it is transferring its operations to China, leaving behind unemployment, poverty, and, in the end, hunger. And why? Because Boeing is managed by scoundrels who see a greater profit in China.

And this becomes our official response to why we don't want this. We don't want this sort of economic system. How can Drnovšek justify this? By simply saying that this is the same sort of economic system. That these two things, a mafia economy and a healthy economy, are one and the same thing. Our response to this is: this is not true, gentlemen. These are very distinct things.

This identification allowed the persons involved in these previously hidden business practices to present themselves as skillful, experienced businessmen without making a significant connection between their now neutral experience with the conditions under which these business transactions transpired. Past political identity and business
experience were able to exist as separate and not conflicting aspects of a person, and the person could be considered simply by their experience in business.

Ravnikar: For example, Drnovšek publicly said that they sold the foreign debt to Genex, they officially recognized this. No one denies that Adria Bank’s majority owners are Serbs. No one denies this, instead they all argue that this is not relevant. This is the main defense that I have detected. I began to make fun of this. Once they sent me some reporters, right at the beginning. A girl from Mladina came, asking for an interview, and then she tried to interrogate me a bit. And I said: if they -- the opposing side -- were smart, their reaction would be to agree with me that what I wrote is true, but what if it is? I suggested this a bit, but then this really took hold. Everyone began to say that everything is OK, that is just the way things operate. I have a few quotes about this in the book, though not many. It is clear that the UDBA established a company in Frankfurt, we all know this happened, but what is wrong with it? These are qualified people, we have to maintain this and forge ahead. It is much harder to explain why something is wrong than to simply define it. This is relatively simple, to describe a phenomenon: this is like this, this is how it came to be, it operates like this. This is what I write, the description of a parasite. This is not hard. The problem lies in explain what is wrong about it. "There is nothing wrong about it. These are well-trained people, good people." They did not let me write any more when I began to explaining what is wrong. I couldn't get published.

Whether or not the past of these companies includes systematic state mafia corruption is not a question that can be answered here. However, Ravnikar’s discourses on the udbomafija point to the extent to which the socialist past of these companies is not discussed when evaluating a company’s present performance. In rationalizing the shift to
market reforms as self-evident, there is no connection made between the past system and
the company's decline. Failure is ascribed to the company alone. One can see this in the
development of Tam's case before the National Assembly, the process of Tam's
rehabilitation and the final conditions in which Tam was forced to declare bankruptcy.

Epilogue: The Bankruptcy of Tam

On March 25, 1995, the National Assembly passed a law to raise state funds for the
rehabilitation of Tam to help the company out of its decline. This was one of two options
that lay before the members of the National Assembly: either to declare the company
bankrupt and to supervise the bankruptcy of the company and the establishment of a
parallel by-pass company to which the leftover business would be transferred. The second
option was to attempt to rehabilitate the company and try to save it. The debates concerning
this decision were quite heated given that Tam's bankruptcy would leave 2800 workers on
the street, adding to the already high unemployment rate in the region surrounding Maribor.
It is no wonder that Tam was referred to as a "social time bomb." 23 The members of the
Assembly decided to risk rehabilitation, and passed a law that combined state funds to pay
back old debts to Slovene banks, tax exemptions, and state guarantees for the funds that the
banks would loan Tam to maintain production and to pay its workers. Of the debts that
Tam had accumulated, the largest proportion was due to the workers themselves in the form
of unpaid salaries. After the obligations to the workers came the debts to the banks.

The restructuring program was set in motion immediately, but soon ran into
problems in the fall, when a difference arose between the way that the ministry of finance
and the ministry of economic affairs interpreted the stipulations of the law concerning the
way that the state funds were to be allocated. The bureaucratic discord stalled the allocation

of funds to Tam.\textsuperscript{24} Furthermore, the banks were not willing to loan the company funds despite the state guarantee, as the rates of interest were lower than the rates at which they could loan funds to other companies.\textsuperscript{25} Due to these problems, production at Tam began to falter, until it came to a standstill in November, at which time the National Assembly called a special session to supplement the original restructuring legislation passed in late March.

On November 30, 1995, further information about the high rates of commission became public knowledge by way of a televised broadcast report on Tam's problems. In a live interview, investigative reporter Lidija Hren questioned Minister Tajnikar about a document leaked to the reporter. The document was a statement of guarantee signed by Tajnikar as the Minister of Economic Affairs and the director of Tam at the time, Franci Gerbec, guaranteeing that Tam was to complete the delayed production of an order of buses to Russia within 90 days of receiving an advance in the amount of USD 7 million, which would cover the costs of production. This advance was offered by the head of Tammex, Vukoman Zarić, whom Tam owed USD 3.4 million for its mediating services. The letter was to guarantee that if the order was not filled, that the state would cover the loss incurred to Zarić, thus possibly making the commission payments in the place of Tam.

Opposition parties in the National Assembly filed a motion of non-confidence against Maks Tajnikar in which he was accused of abusing his authority as minister to provide state guarantees for commercial business transactions that would possibly involve some of Tam's transactions which had come under questioning, particularly the transactions between Vukoman Zarić and Tam. Instead of appearing before the National Assembly to answer questions about his involvement in Tam's business affairs and about Tam's affairs in general, Tajnikar, at the informal suggestion of Premier Dmokšek, resigned from his post as minister of economic affairs. In an interview Tajnikar explained his reasons for

stepping down: "In my opinion the premier did not want the broad discussion that would be connected to the motion of non-confidence since I would probably mention the responsibility of other members of the cabinet as well as that of others."  

Tajnikar made this comment after he resigned. However, from the special session of Parliament onwards, particularly after the broadcast of the investigations of Tam, Tajnikar became the focus of the controversies surrounding Tam. Tajnikar was forced to answer questions to the public as to his signing such a questionable document and his responsibility concerning the implementation of Tam’s restructuring program. For since the passing of the legislation concerning Tam’s restructuring program, Tajnikar as the responsible minister had become a member of the board of directors at Tam and had the right of veto on all Tam’s business decisions. He had become formally responsible for the fate of Tam, and it was in this capacity that he also signed the document, for at that time Tam could not make guarantees of any kind with its business partners without his approval. Legally speaking, as minister his authority was restructured to granting state guarantees for loans and bank transactions and did not extend to offering state guarantees to commercial transactions. However his critics interpreted this transgressions as complicity with the ambiguous business that Tam was involved in, and thus to be held responsible for agreeing to the wrong sorts of decisions.

Tajnikar’s resignation right before the motion of non-confidence was scheduled to begin absolved him from defending his actions before the National Assembly who would sit in judgment over him, and particularly concerning his connections to Tam’s "mafia business". In this way Tajnikar was able to restrict the sort of responsibilities and complicities to which he had to respond. Instead he interpreted his resignation as a recognition of his responsibility in overseeing the proper execution of the restructuring program outlined for Tam in light of the program’s failure. He explained this failure as the

lack of authority accorded to him as minister to enforce the execution of the program as it was stipulated in the legislation.

Tajnikar: In my view there was no collective and constructive effort made to save such a large problem such as Tam. I always felt I was working alone. And this is why I argue that there few persons who did more for Tam and its employees than I did, despite the fact that there were many issues crucial to Tam's successful rehabilitation over which I had no control. One of these issues was the question of the banks. If the finance minister does not participate in this rehabilitation process and does not negotiate with the banks, the minister of economic affairs is powerless. My influence over the banks was very weak. I have some informal contacts; however they did not have a role in Tam's rehabilitation. It is paradoxical and almost funny that state officials have no influence over banks owned by the state in the implementation of a state-run project as in the case of Tam. 28

As opposed to the way that he referred to Tam earlier, arguing that politicians cannot expect the state to save every failing company, when this question is linked to Tajnikar's professional skill in implementing the program he begins to enumerate the problems involved connected to Tam which make it clear that the failure of Tam is not limited to the company itself and its adaptation to market forces. Furthermore, Tajnikar argues that beyond the administrative and political obstacles he encountered in attempting to implement the program, he found that certain key persons connected to the rehabilitation were not interested in saving Tam at all.

Far from resolving Tam's problems, Tajnikar's resignation coincided with the sealing of Tam's fate. The situation at Tam was worse at the end of 1995 than it was at the beginning of the year when the rehabilitation program had started, for its had received over USD 100 million in aid in the form of loans, guarantees and tax breaks and still was not...

28"V Ključnih Trenutkih Sem Ostal Sam." op. cit., p. 11.
able to pay its workers or maintain the costs of production to fill delayed orders. Much of this had to do with the role of the banks in the rehabilitation process. As mentioned earlier, a large portion of the funds allotted to Tam by the restructuring law was aimed at repaying half of the outstanding debts Tam had with the banks. Furthermore, the law stated that the other half of the debt owed to the banks could be paid either with shares in Tam when it would be privatized, or with the sale of some of Tam's property. Negotiations between Tam's board of directors and its bank creditors stalled due to conflicts over the determination of the value of the property in relation to the transactions stipulated in the law. The banks held that the company's property should be assessed according to its liquidation value, while the company argued that the company's property should be set at a higher value. If the liquidation value would be the one by which the company's assets would be assessed -- which is much lower than the value argued by Tam itself -- the banks would basically become owners of the entire Tam complex, leaving nothing behind for Tam's largest group of creditors: the company employees.29

Tam's stalled negotiations with the banks on this issue then affected its negotiations for state-guaranteed loans with these same banks. As a result Tam did not receive the funds that it needed to cover the costs of production including employee salaries on time, and production began to falter and ceased entirely in mid-November of 1995. By early 1996 the state pronounced the rehabilitation of Tam a failure, and the company was transferred entirely to the control of the state's Development Fund. This institution suggested declaring Tam bankrupt a few weeks later, and the issue of how to deal with Tam's creditors was transferred to state hands.

In looking over the trajectory of Tam's aborted rehabilitation process, one realizes that this had much more to do with Tam's past than with Tam's prospects in the market. The clear beneficiaries of the restructuring process were the banks, who were recompensed

for their half of their past loans to Tam, something which would have taken much longer if the banks were to wait to receive payments on their loans from Tam's profits. However, the resolution of Tam's past in this fashion has been at the expense of the Slovene taxpayers upon whom the payment of Tam's debts has been transferred.
CHAPTER SIX: WILD PRIVATIZATION AND THE TROUBLESMOE AUTHORITY OF THE SDK

By 1993 Slovenia seemed to have recovered economically from its independence from Yugoslavia. Official reports spoke of Slovenia’s turnaround as a success story, zgodba o uspehu, and compared it favorably with the experiences in other post-communist countries of Eastern Europe. Some were so optimistic that they claimed that Slovenia should not compare itself with its neighbors in Eastern Europe but instead with European Union member countries such as Greece or Spain. Slovenia was well on its way to becoming part of Europe. However, at the same time Slovenia -- as other postcommunist countries -- suffered many of the more exotic side effects of the transition. As elsewhere across Eastern Europe, transition came to refer to a space where anything was possible: corruption, lawlessness, and even chaos.

In the previous chapter I portrayed the dynamics between different parties interpreting the dubious business practices surrounding Tam’s bankruptcy, and the ways in which certain business skills were rationalized in the face of questions concerning the nature of the previous regime. Critiques based on different interpretations of the past were deemed irrational, conspiratorial, or simply irrelevant. The relevance of such questions concerning past history was to be evaluated by objective experts and specialists.

Given the depoliticized nature of technical debates constructing market successes and failures of transition events, how was one to distinguish between two state institutions that argued different interpretations of Slovenia’s progress? In this chapter I will examine the history of the SDK -- Služba Družbenega Knjigovodstva, or Office of Social Accounting -- and the role it played in Slovenia’s privatization process. In doing so I will explore the basis of the SDK’s authority and its role in debates surrounding privatization abuses, linking the SDK’s practices with controversies surrounding its reform and its final dissolution.
A Relic of Socialism

The late SDK was a product of Yugoslavia's 1974 Constitution which institutionalized contractual socialism. Of the four different systems implemented in postwar Yugoslavia, contractual socialism was the most decentralized. The Constitution drafted a complex web of decision-making involving interlocking political and economic organizations which together defined the operation of the economic sphere.

In the midst of this decentralized network, the Constitution allowed for the continued existence of a fortified SDK in each republic and endowed it with special authorization and powers. From 1974 onwards, the SDK performed four functions, the most important of which was the management of a republic's entire accounting system. All financial transactions were cleared through the SDK: all movements of funds to and from accounts of companies, banks, organizations and individuals. Thus it knew the standing of every single account in the country, whom paid how much to whom, when, and how.

Second, the SDK implemented and supervised the process of tax collection. By implement I mean that the SDK automatically collected taxes and payments for pension and social plans. Workers would receive payment of their net wages, not gross ones. Third, the SDK supervised the management of socially-owned property as it was managed by either organizations of associated labor or government institutions. If necessary, the SDK had the authority to conduct financial audits of any business or organization, on the basis of which it had recourse to a number of retributory measures, including the blocking of accounts.

Fourth, on the basis of its exclusive knowledge of the financial status of every economic agent in the republic, the SDK compiled statistical data on the republic's economy.

Furthermore, the SDK charged a small commission for every financial transaction that it cleared -- as do most clearing and payments institutions -- and was one of the few
profit-making bureaucratic institutions under self-management. Formally it was independent of the institutional structure of political power for, unlike other state institutions, it was not dependent upon state financing.

The control and supervision centralized in the SDK rendered it an institutional anomaly in an otherwise decentralized economy as well as one of the crucial centers of information and power within self-management. Given that the institutional consolidation of these functions was unheard of in market economies, one would assume that with independence and the implementation of market reforms, the SDK would be among the first institutions to be dissolved. Yet the SDK was accorded very little critical attention in the beginning of the reform process either by Slovene economists or international experts offering advice. In interviews with SDK officials, I was told that very few foreign advisors made their way out to the SDK; normally the visits of foreign missions did not extend much beyond the economic ministries and their subordinate agencies. Only in later years when foreign experts shifted their emphasis to institutional restructuring did the SDK receive much attention.

In fact, some economists in Slovenia have argued the benefits of the SDK’s institutional configuration. For example, Tine Stanovnik, professor and researcher at the Institute of Economic Research in Ljubljana, credits the continued presence of the SDK for Slovenia’s lack of serious problems in the collection of contributions for social security and pension programs, problems that have plagued other transition countries. He links the efficiency of the collection of these contributions to the efficient organization of the SDK:

All payments by firms are carried out by a single agency, which has -- up to the present -- performed various functions: payments, financial control, auditing and tax collection. Firms had a single account within this agency and were responsible for transferring sufficient funds (say from their banking accounts) for disbursements -- payments of salaries to employees, etc. Thus, for example, this agency could effectively block disbursements of salaries and wages for employees if payment of
social security contributions and personal income taxes were not effectuated. This mechanism is automatic: exemptions (formally: postponement of contribution payment) can be granted only by parliament.¹

The SDK's virtually automatic system of checks and balances, combined with the function of clearing and financial transactions also greatly minimized the possibility of other sorts of abuses of the financial system. For example, Andrew Nagorski in his book *The Birth of Freedom: Shaping Lives and Societies in the New Eastern Europe* describes the key to a Polish company's meteoric rise to riches by taking advantage of the time lag in the payment clearing system:

It was only in the aftermath of these spectacular events that the rest of the Art B story came together. Gasiorowski had not been trying to throw me off course with his talk of fancy footwork with the banks. Taking advantage of the weaknesses of the banking system, he and Bagsik had indeed accelerated their profit-making to dizzying speeds. According to investigators, they would write checks from an account in one bank to deposit in another; since the banks were not equipped to make electronic transfers, they could take advantage of the long "float" to earn interest in both accounts. Honing this technique to a science, they moved checks or cash -- sometimes by car, sometimes by helicopter -- through a whole chain of accounts in different banks. As a senior government officials put it: "They speeded up the circulation of money, and the system did not keep up with them."

Investigators later claimed that many of these transactions were based on bad checks to begin with. Art B obtained guaranteed checks from banks which amounted to a form of short-term credit extended to good clients. They would pay the checks into another bank, which would issue them a certified check based on

their "deposit." Art B would then "repay" the loan from the first bank, and so the cycle continued...²

The SDK continued its operations after Slovenia's independence and did not attract the attention of lawmakers until 1993. However, this attention did not entail plans for dismantling the SDK, which would have been consistent with the implementation of market reforms. Instead, after passing the privatization law in November, 1992 (Zakon o Lastinskem Preoblikovanju Podjetij, or Law on the Ownership Transformation of Companies), the National Assembly passed two amendments that significantly added to the functions of the SDK. First, the SDK was entrusted to issue and supervise the distribution and investment of the privatization vouchers of all Slovene citizens. Second, it was authorized to monitor the management of social property until it was privatized according to Slovene privatization legislation. This monitoring took two forms: the financial supervision of socially-owned companies awaiting privatization for the first time and the auditing of companies that had been privatized according to Yugoslav privatization legislation.

With this law the SDK received explicit authorization to audit privatizations that had been previously carried out. It was authorized to conduct audits in any company for which (according to the provisions of the law) it received information expressing doubt that a privatization was legally executed, or a suspicion that the social capital of a company was harmed in any way. The following institutions could request an audit: internal affairs agencies, public prosecutors, social defense counsel for self-management, the Agency for Restructuring and Privatization, the Development Fund, The Compensation Fund, the Pension Fund, former owners and their heirs, and our own institution. The following organizations could initiate a request for an

audit: labor unions, former owners and their heirs and any other citizen who had a substantiated suspicion concerning damage to social property.³

The amendments were designed to mark a distinction between Yugoslav and Slovene privatization models. They also legally recognized the possibility of abuses under Yugoslav legislation. The Slovene privatization model called for a partial distribution of social property among Slovenian citizens, and the SDK was to regulate the management of social property for its future owners.

While these tasks added substantially to the duties of the SDK as an institution, they were consistent with the functions that the SDK already performed. In fact its unique relationship with Slovene companies -- transferring funds, disbursing payments, collecting taxes as well as other contributions -- made it the ideal institution to take on these additional duties. The task could be considered an extension of the role the SDK performed in relation to social property to include the particular demands of privatization.

At the same time it was not only the SDK’s institutional capacities that rendered it the appropriate supervisory institution. As mentioned earlier, the passing of a Slovene privatization law was delayed for almost two years as opposing political sides persisted in advocating different privatization models, which in turn were appropriated in other political debates. The SDK’s autonomous position within the structure of the government made it an objective monitor, as it was not dependent upon any political option.

Furthermore, Tine Stanovnik’s description of the SDK’s operation was an apt metaphor for the SDK’s public image: automatic. The SDK was an institution people

³Romana Logar. “Potek in Težave Privatizacije Podjetij v Sloveniji.” Paper presented at the symposium entitled “Social Order and Private Property in the Case of Privatization” held in Maribor, Slovenia, February 9-10, 1996. p. 7. The Agency for Restructuring and Privatization, the Development Fund, the Compensation Fund and the Pension Fund are all institutions explicitly involved in the execution of privatization according to the Slovene legislation. The social defense counsel for self-management, or družbeni pravobranilec samoupravljanje, was the legal office responsible for dealing with cases of abuse of social property under self-management. While its duties have been substantially restricted, it still continues to operate until social property is not definitively privatized.
barely spoke of. It was considered an elaborate clearing house that registered the movements of financial transaction and that operated as a machine whose mechanisms were determining by the level of funds in particular accounts. Its actions were transparent, efficient, and defined by an objective set of steadfast rules. This image was reinforced by the fact that the SDK had the authority to implement certain measures if circumstances warranted it, which in turn added to the seeming naturalness and objectivity of its actions.

With its new duties, the SDK was transformed into one of the key privatization institutions with the authority to evaluate how a privatization was carried out and whether or not a socially-owned company was conducting business in a way beneficial to the value of the company. It defined the criteria for determining damage to social property (oškodovanje družene lastnine) and had the authority to exact retribution from errant enterprises.

Led by its new director, Romana Logar, the SDK began to compile incoming requests for audits and commenced conducting them in 959 companies in May 1993. A scant three months later, Finance Minister Mitja Gaspari and Romana Logar in the capacity of director of the SDK signed an agreement to gradually reform the SDK. The agreement stated that the reforms would begin once privatization was completed and the SDK will have fulfilled its extraordinary duties. At that moment, the tasks performed by the agency would be distributed among new institutions more appropriate to the structure of a market economy. The supervision of public funds administered by the state would be performed by a court of audit, and the clearing of financial transactions would be carried out by an agency for payments. A tax office would collect taxes and a research institute would take on the tasks of investigation. In signing this accord, the executive branch of the government and the SDK came to an agreement concerning the temporary nature of the SDK. Even though at the time it supervised some of the key reforms of the transition, the SDK itself would not escape reform.
While this agreement seemed to imply an accord between the Ministry of Finance and the SDK as to how and when the SDK was to be reformed, this very issue became a point of conflict between the two institutions less than a year later. In February of the following year, the executive government, (a coalition government led by the Liberal Democratic Party -- LDS -- and its Prime Minister Janez Drnovšek), and presented two laws before the National Assembly that would entail the immediate reorganization of the SDK into two different institutions. With these laws two different institutions would divide the functions of the SDK between them. A Court of Audit (Računsko Sodišče) would take on the supervision of the state's administration of public funds and the privatization audits while an Agency for Payments, Supervision and Information (Agencija za Plačilni Promet, Nadziranje in Informiranje) would be responsible for the remaining tasks (tax collection, the clearing of payments, research). Despite opposition from the SDK, the proposed laws went through three phases of parliamentary debates in only four months. During the final debate in the National Assembly in July, the SDK expressed their disagreement in a public letter to the speaker of the National Assembly, arguing that the separation of these functions between two agencies would severely undermine the implementation of the monitoring of companies as required by the privatization law.

According to SDK officials, these tasks were complementary and needed to be carried out by one institution if they were to be effectively carried out.

The public manner of the SDK's reaction to these laws forced the government to remove its proposed law for the Court of Audit from consideration in the National Assembly. This was the first of a series of attempts on the part of the executive branch of the government to unilaterally dismantle the SDK in the following years. Given that there was an agreement between the two institutions, why was a difference of opinion between two state institutions played out in the National Assembly?
Wild Privatization

According to the SDK's Romana Logar, the government's actions set in motion in February, 1994 were due to the first published results of the SDK's audits of companies privatized under Yugoslav legislation:

Logar: It is true that in mid-1993 we planned the timing of the establishment of the court of audit together [with the government]; it was to be created once privatization was completed. We based our decision on a date when we believed that this would occur, although at the time it was difficult to predict what would happen. However, as privatization experienced delays, we would also have to postpone the creation of the court of audit. At the very earliest we may expect privatization to be completed by June 30, 1995. At this time it would be possible to transfer our functions to new institutions without great difficulty. At the SDK we have been designing plans for the reform of our institution for the past two years. There are many reasons why they would want to prematurely restructure the SDK. This was a decision of the coalition parties. The main reason is probably that we have played a very independent role in the auditing of privatized companies and in the monitoring of the administration of public funds in some ministries. From the technical point of view, I would hazard to say that in carrying out our duties we have barely scratched the surface. We live in a state where unfortunately the protection and the respect for the law are at a very low level.

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4 Wild privatization, or divja privatizacija, is a term generally employed to refer to numerous sorts of transactions by which social capital was privatized by taking advantage of loopholes in privatization legislation. One of the biggest problems lies in the inconsistency of laws regulating these processes; even now arenas exist for which there are no laws to serve even as guidelines. Within such a context it was relatively easy for a select few to privatize --rendering private for themselves -- companies that were previously socially-owned.

The attempts at dismantling the SDK began a few months after the SDK began publishing the first audit reports. The report results were absolutely astounding. According to the results of audits conducted through the end of 1995, approximately two-thirds of the 1000-odd companies audited had inflicted damages upon social prepay during privatization, damages in the range of 1 billion German marks. The SKD audited a little less than half of the socially-owned companies.

From mid-1993 until the end of 1995, SDK officials commenced auditing procedures in 986 companies, or in 93% of the companies (of 1065) for whom audits were formally requested. By the end of 1995, 880 audit reports had been issued. In the case of 576 companies, or two-thirds of the companies audited, we documented damages to social property in the amount of 1072 million DEM. 379 of these companies compensated for total amount of damages reports, in 52 companies there was a partial reimbursement. Together these compensations amounted to 632 million DEM, or 59% of the damages reported. Auditors issued 152 decrees for the settlement of the remaining damages to social property in the amount of 336 million DEM which companies did not want to remunerate.\(^6\)

There were different degrees of what the SDK considered damage to social capital, and corresponding simple and more complex ways of repairing the damage. In general damage to social capital referred to ways in which the value of social capital in a company was diminished so that potential buyers purchase it at a lower price. The most straightforward of such cases entailed the inaccurate appraisal of the value of a socially-owned enterprise. The under-estimation of an enterprise’s value made it easier for one to become a substantial shareholder in a company. For example, one of the possible methods of privatization under Yugoslav legislation was called dokapitalizacija. There is no accurate translation of this term, but it refers to a process by which an individual or group

of individuals would be able to become shareholders in a socially-owned company if they made a capital investment of at least 10% of the value of a company. Whoever made this investment had priority in purchasing shares in the company for a period of five years, during which he or she was obliged to buy 10% of the shares of the company each year for a period of five years, at which point the investor would become a majority shareholder.

Under-estimating the value of social capital in a company in this case would make it less expensive for investors to become owners of a company. If this sort of practice was discovered, it was easily corrected: one needed only to adapt the ratio between private capital and social capital given the more accurate appraisal of the value of a company. However, other means of damaging social capital were much harder to document and also not easily remedied, for they normally involved other companies.

Often damage to social capital was brought about by newly established subsidiary companies, affiliated companies, or private companies established by leading employees of a socially-owned company, their relatives or acquaintances... They would transfer the profit-making activities from socially-owned companies to newly established private ones. Socially-owned companies would become less and less profitable, would fall into debt and would lay off unnecessary workers. All this was possible because new companies had virtually no difficulties in getting registered. The regulations did not prescribe verifying the identity of those establishing the new company, the location of the company's employees or the nature of the new company's business. It did not matter to the court register if the founder of a private company was still the director of a socially-owned company which dealt in the same sort of business as the newly established private company. These new companies are able to conduct their business without any full-time employees, and no one asked how they managed. Social capital was also diminished in other ways: drawing up unprofitable contracts for the sale of fixed or current company assets under their market value; renting capital assets of a
company at unprofitable rates, issuing credits to employees at lower than market rates for the purchase of company shares; writing off debts to customers who instead of compensating the socially-owned company paid a private company at home or abroad; and, in the case of companies with mixed ownership structures, distributing profit only to the minority private capital and not to the majority social capital. 

In addition to these sorts of practices which sabotaged the business prospects of socially-owned companies in the favor of a private ones, damage to social capital also included the transfer of social capital abroad, outside the SDK’s jurisdiction. The SDK regulated the movements of funds only within Slovenia, even though the transfer of funds many have been between a company established in Slovenia and its subsidiary in neighboring Austria.

The SDK was the only institution that had the legal authority to back up these sorts of claims. If a company did not abide by the SDK’s assessment, it had two options, both of which were resolved in a court of law: either the company could appeal the results of the SDK’s audit or it could face legal charges for non-compliance. Until a company settled accounts with the SDK it could not be privatized according to Slovene legislation. Furthermore, if circumstances warranted it, the SDK could issue criminal charges against individuals responsible for greater violations.

In the reports that circulated, the SDK complemented the audit results with an analysis of the legal loopholes in the Enterprise Law which did not properly regulate the relationship between social and private capital, thus allowing for various sorts of abuses in practice.

\footnote{Ibid., p. 5.}
At first it seemed that the management of social property was defined in the same way as it was in previous legislation. However, if the previously valid legislation (Associated Labor Law) was exaggerated in meticulously outlining the authority, rights and responsibilities of the management, the workers' council and of the employees, the present law relinquished the regulation of all this to the company's statute. The Enterprise Law stipulated what must be specified in the statute of socially-owned companies and of companies with a mixed ownership structure, but it did not regulate how this was to be addressed. By law the statute had to be approved by the workers on a referendum vote. However, since workers had never been equal partners with the management, employees in many socially-owned companies voted for statutes which actually restricted their rights. Many companies, including some of the largest in Yugoslavia, didn't even draw up a statute. In this manner many company directors and upper-level employees simply appropriated the right to manage the company on their own. This was even easier in the case of companies with mixed ownership, even if 1% of the company was privately-owned... The Enterprise Law specified that in the case of mixed ownership structure, the ratio of representatives was to reflect the ratio between the respective percentages of social and private capital within the company. However, it also mentioned that this could be defined in another fashion by the statute. The majority took advantage of the legal opportunity and many times employees were allowed to have only one member representing the interests of social capital in the assembly even if the majority of the company was still socially-owned. The statute (which would determine the amount of members that would represent social capital in the assembly) was passed by the assembly itself, which in turn would appoint the board of managers of the company, which by law must have at least three members. 8

8Ibid., p. 6.
Evaluating privatization in terms of the status of social capital enabled the SDK to compile an account concerning wild privatizations that differed from those that defined them as the emergence of extreme capitalist practices and a necessary evil that accompanied the transition to capitalism. Instead, the SDK documented systematic violations that pointed to the legal vacuums that failed to protect the status of social capital in relation to private capital. According to the criteria of the SDK, over two-thirds of the companies audited were guilty to one degree or another of damaging social capital.

As Romana Logar mentioned above, these evaluations of the Yugoslav privatizations, as it expected of a supervisory institution, were considered to be quite independent of the discourses of other official discourses of privatization and reform. While not contested openly by other state organizations who were involved in the implementation of the privatizations according to Yugoslav legislation (including the Agency for Privatization and the Development Fund), the evaluations of the SDK were legally contested in court by a number of influential companies. They argued that the SDK was retroactively re-evaluating the company’s practices that were considered legal in the eyes of the then valid legislation. One such case which was one brought to court by a number of companies that questioned the constitutionality of the articles of the privatization law that stipulated the necessity of the supervision of privatizations carried out under previously valid legislation. According to the companies, the monitoring of privatizations in this fashion encroached upon their legally attained rights as owners of private property. However, the Constitutional Court defined the rights of the companies in a different fashion:

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Despite the fact that the Enterprise Law invalidated the articles of the Law on Associated Labor which ordered the rights, duties and responsibilities of workers and other working people concerning the use, management and disposal of social property, in the eyes of the Constitutional Court these persons as the representatives of social property were responsible for safeguarding its substance. With the transformation of organizations of associated labor into companies based on capital, shareholder councils were established in which delegations of workers elected according to internal regulations were to represent the interests of social capital. Although the delegate principle valid under the Law on Associated Labor was no longer in effect, these representatives were to act in the interests of social capital — that is, maintain its value— until it was definitively privatized, thus indirectly protecting the rights of future owners...The representatives of social capital and the managers to whom the company's capital and social property had been entrusted were bound to manage it effectively despite the fact that during the transitional period between economic systems in the Republic of Slovenia a legal vacuum had formed in this area. Their responsibility to administer social capital in a proper and rational manner is derived from the general principles of civil law as well as from provisions of worker regulations. The general principles of civil law obliged subjects who managed social property to work in the interest of the entire social group and not to cause any harm to third parties by way of their actions or their omissions (9th article ZOR), that in making contracts they had regard for the principles of loyalty and honesty (12th article), that they did not violate the rights of others (13th article) nor take advantage of monopolistic positions (14th article), and that they acted with the care of a sound manager (18th article). Furthermore, the 5th article of ZOR explicitly states that in the arranging of contracts, legal entities must administer the social property at their disposal in a socially and economically sound fashion...In light of the aforementioned principles it is shown that legislators
defined the legal presumption of damage to social property on the basis of previously existing norms concerning the administration of social property. For this reason it is not possible to agree with the submitted claims that the stipulations of article 48a retroactively encroach upon already acquired rights...The stipulations are not retroactive because, as has been mentioned, the obligation of the representatives of social property to administer social property as sound managers and to preserve its substance existed the entire period during which social property was entrusted to them.\(^\text{10}\)

The decision of the Constitutional Court upheld the distinctions drawn between Yugoslav and Slovene law that had stipulated the need for monitoring Yugoslav privatizations. The Constitutional Court took considerable pains to dismiss the companies' claims of legal rights by situating the Enterprise Law within the remaining framework of Yugoslav law and by arguing that the actions of those managing social property were to be regulated by laws which were not invalidated with the passing of the Enterprise Law and which defined their obligations to and their administration of social property could be assessed. These same laws were the legal basis for the SDK's evaluation of the practices of the company and its assessment as to whether or not the rights of ownership were legally acquired.

The decision of the Constitutional Court expressed the way that the actions of the SDK undermined the criteria accorded to which ambiguous transactions were legally defined. The term "wild privatization" had two connotations: first, that they were the results of extremely capitalist practices that exhibited the dark side of capitalism; second, that they were the logical manifestation of the transition between two economic systems that

\(^{10}\) Constitutional Court decision U-I-133/93-56, March 31, 1994. Published in the Official Gazette of the Republic of Slovenia (\textit{Uradni List Republike Slovenije}) no. 32-1332/94, pp. 2102-2106, p. 2105-2106. ZOR stands for \textit{Zakon o Obligacijskih Razmerah}, or Contract Law passed in 1978 and was valid through Yugoslavia's last years.
created a legal vacuum. There were virtually no Yugoslav laws regulating the administration and management of private property and private capital. However, the court stipulated that as Yugoslav law meticulously outlined and regulated the rights and responsibilities of those who did business with social capital, this also extended to include those transactions with social capital referred to as wild privatizations. In this fashion Slovene law had enabled the SDK to re-evaluate ambiguous "wild" business practices -- considered to operate outside the realm of law -- in terms of the existing legal framework which stipulated the duties and obligations to social property of the would-be capitalists.

The SDK was commissioned to monitor the business conducted with social capital during the period beginning with the passing of the Enterprise Law and ending with the end of 1992, at which time the Slovene privatization law went into effect. This meant that the SDK was to assess the practices of companies after Slovene independence and, more importantly, after the transition to a Slovene legal system.

A substantial amount of damage to social property resulted from the passing of regulations that formed part of the market system. These regulations were suited to the needs of a market economy based exclusively on private property. It would have been appropriate that these new laws take into account the particularities of social property until it was definitively privatized...At the time of the introduction of the market system, Slovene companies had their affiliate companies abroad as well as investments in joint venture companies. These companies had two sets of accounting books: one according to the regulations of the country in which they conducted their business, and one according to Slovene [or Yugoslav] regulations. A complete examination of the books was not allowed even in those times. With the transition to a new economic system, the regulations that enabled the SDK to partially supervise the administration of social capital abroad were abolished. If the state had wanted to safeguard the social capital in companies abroad it should have at least nationalized it or it would have prescribed a policy of supervision over these
companies abroad according to existing international standards. Of course it did not
do this, and thus these companies abroad were the ideal recipients of the flight of
social capital from Slovenia.\textsuperscript{11}

The controversies between \textit{SDK} and the companies it audited were based upon
different interpretations of some of their business practices as well as of the choice of laws
which would determine this legality. Though greatly contested, the SDK’s duties in relation
to Yugoslav privatizations had been clearly defined by the laws which endowed the SDK
with the necessary authority to carry them out.. Yet, the SDK’s continued role after the
system’s shift to Slovene legislation was more ambiguous. The audits implied that the
SDK was dealing with the network of legislation whose existing drawbacks allowed for
continued violations. However, the SDK’s authority as a supervisory institution did not
include the ability to reform legislation, as the SDK itself could not even propose reforms
before National Assembly. If the SDK wished to set a reform in motion, it had to extend
its activities to enlist the cooperation of the very government institutions that it supervised.
One such case concerned the loosening of control over transactions conducted in foreign
currency, which, as in other communist systems, were very strict in Yugoslavia.

\textit{Logar:} Many must think us naive, but two years ago, before we began to monitor
privatizations in such a fashion, we did not even imagine that such things were
possible. The SDK was never authorized to supervise foreign currency
transactions. Until mid-1993, when we began conducting our first audits, I had
believed that this supervision had been established. Then I realized that the central
bank does in fact gather all the information concerning companies’ foreign trade
transactions and corresponding foreign exchange transactions, yet only to be used
for research. With the new law the central bank no longer had the authority to
supervise the management of foreign exchange but instead this had been transferred

\textsuperscript{11}Romana Logar, \textit{op. cit.}, p. 5.
to the Bureau of Foreign Exchange at the Ministry of Finance. What made matters worse was that there were only three to five persons working at that office in 1993, and this remains the same today...Given the deficient supervision of foreign business transactions we proposed amendments to the Foreign Currency Law and the Foreign Trade Law. These amendments would give us access to data concerning foreign trade and foreign exchange trade, data that would aid us in monitoring privatizations and in supervising tax collection. After much effort our amendments were accepted by the cabinet. But then something happened which has yet to be explained. Overnight, someone changed the amendments, inserting certain provisions which made it impossible to implement the law. Premier Dr. Drnovšek and Finance Minister Gaspari at that time said that they did not know who introduced those provisions into the proposed amendments....Unfortunately this law, which made a mockery of all our efforts, was passed by the National Assembly.

Q: How is this law then implemented?

Logar: It is still not possible to carry it out. We have been calling this to the attention of the cabinet and of the National Assembly, as we have with all the other information that we have accumulated concerning privatization, but nothing has come of it. We have prepared new legal reforms, but the Ministry of Finance has returned each one of them under different pretexts, feigning ignorance of the urgency of the matter. The investigative parliamentary commission has not even scheduled the discussion of these proposals, which goes to show that the ruling coalition has decided that this law will remain the way it is and that we will not have access to the data we need.12

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The ambiguous relationship between the SDK and state institutions it monitored framed the unfolding of issues such as access to data and institutional jurisdiction as well as the controversy concerning the dismantling of the SDK. The first set of proposed laws to split the SDK in two agencies was discarded in June 1994 on the grounds that the SDK's effectiveness depended upon the carrying out complementary duties. However, a second proposal followed upon the heels of the first one, and in August of the same year the National Assembly passed the Law of the Agency for Payments, Supervision, and Information. The SDK was to be renamed the Agency for Payments, Supervision and Information (from now on referred to as the Agency) and was to carry out the same tasks as the SDK. One of the great differences between the SDK and the newly created agency concerned the issue of autonomy. Previously the SDK was autonomous of the government, as befits a supervisory institution. However, under new law the agency would answer to the executive branch; in other words, it would be have to answer to the very institutions whose public spending it was supposed to monitor. Furthermore, the law redefined the hierarchy of command at the Agency. The Agency would still have a general director -- whose nomination was previously approved by the National Assembly -- but she or he would share power with a board of directors named by the executive branch. This board had the power to name or replace any member of the upper level of the Agency's hierarchy, including the general director.

The Agency law that was passed was not consistent with the other laws proposed earlier that year, which were to distribute the tasks of the SDK between two institutions, the Agency and the Court of Audit. The Court of Audit was to be take on the duties of supervision of public spending and of Yugoslav privatizations. The Agency was to fulfill the remaining duties of the SDK. Given the tasks delegated to the Court of Audit which included the supervision of spending of state institutions, it would remain autonomous of the executive branch and answer to the National Assembly. The Agency would clear financial transactions, collect taxes and compile statistical data, was to answer to the
executive branch as any other state institution. However, according to the new legislation, the Agency would take on all the tasks of the former SDK, including those dealing with the dubious administration of social property, but it would be explicitly under the control of the executive branch. Soon thereafter, the National Assembly passed legislation establishing a Court of Audit which would take on the supervision of public spending on the part of state institutions. It would remain autonomous and would answer to the National Assembly.

The legislation creating the Agency -- which was passed in August despite the objections of the SDK -- was to take effect on the 1st of January, 1995. However, before that time the leading officials of the SDK and one-third of the delegates of the National Assembly took their case to the Constitutional Court to verify the constitutionality of the articles of the Agency law that subjected the Agency to the power of the executive branch. According to the representatives of the SDK, the decision to render the Agency subject to the authority of the executive branch instead of the National Assembly was unconstitutional:

...because the executive branch as the submitter of the law did not provide any reasons for transferring the responsibility and dependence of the SDK or of its legal successor from the National Assembly to the executive branch;...because not only the verification of the privatization of legal entities but also other duties of the agency are substantially linked to the National Assembly and not to the executive branch, and thus according to the principle of division of power the agency must be independent and subject only to the authority of the National Assembly;...[and] because the executive branch with its bodies and organizations (the Agency for Restructuring and Privatization, the Development Fund, and so on) is implementing the restructuring and privatization of social property; subjecting the Agency, which is entrusted with the important task of verifying the legality and correctness of the
management of social property, [to the authority of the executive branch] would mean that the executive branch would exercise authority over its own supervisor. 13

The SDK in its formal statement made it clear that it viewed the legislation creating the Agency as an attempt on the part of the executive branch to divest the SDK of its autonomy, particularly in the case of safeguarding the value of social capital. The inevitability of the SDK's reform and the lack of cooperation between the government and the SDK concerning legal obstacles to the safeguarding of social property made the link between the critical stance of the SDK concerning privatization and the legislation establishing an Agency subject to the executive branch even more marked. In assessing the constitutionality of the Agency for Payments, Supervision and Information Law, the Constitutional Court agreed with the representatives of the SDK and the delegates of the National Assembly that the law did not take into account the particular temporary tasks entrusted to the SDK that required that the institution remain independent from the executive branch.

Although after the 1991 Constitution the SDK no longer retains its special constitutional status, it still carries out those same functions, as will in turn its legal successor determined by the Agency for Payments, Supervision and Information Law. The continued fulfillment of these tasks is in the public's interest, especially during this transition to a new economic system which includes the transformation of social property. In principle this is a question concerning the constitutional status of the Agency during the period while social property continues to exist. It is evident that the supervision over the distribution of social property must continue as it has until now, until this process will be concluded according to the principles of a state subject to the rule of law. 14

14Ibid., p. 1411.
Thus the Constitutional Court declared invalid the articles of the Agency for Payments, Supervision and Information Law (or Agency Law) that hindered the SDK's autonomy before the executive branch. On January 1st, 1995, the SDK has renamed the Agency and continued with all its previous duties except the monitoring of public spending which was transferred to the Court of Audit that was created on the same day. In this fashion the Agency was able to continue with its privatization audits into 1995.

While the Agency was able to retain its independence, this was only a temporary reprieve, for three months later the government submitted a proposed amendment to the Agency Law which would separate the Agency into two institutions: the Agency for the Revision of the Ownership Transformation of Companies would take on the supervision of the privatization of social property and would be subject to the authority of the National Assembly, and the Agency for Payments, Supervision and Information would continue carrying out the remaining duties and answer directly to the executive branch. The law was passed in late September, 1995, and by December the two parties found themselves again before the Constitutional Court, which once again ruled in favor of the continued independence and unity of the SDK and declared the amendments invalid until the Agency completed its obligations regarding social property.

Why did the government continue in its very public and dramatic attempts to dismantle a state institution despite a Constitutional Court decision that ruled in favor of the Agency and its temporary and extraordinary role? From mid-1993 onwards, during the whole period that the SDK was carrying out its verifications of Yugoslav privatizations, the executive branch was actively seeking the immediate reconfiguration of SDK. What did the reform of the SDK come to represent for the government, in light of the SDK's previous image as a technical, mechanical clearing house?
The SDK was not the first to denounce the wild privatizations that were taking place in the late 1980s. As early as 1990 Slovene economists and lawyers gathered at a conference to discuss the loopholes that were allowing the dubious annexation of social property. Yet when the first reports of the SDK audits began to circulate in late 1993 (after independence), many of these critics were the first to refute the SDK’s findings as damage to socially-owned property. What was the difference perceived between the critique of Slovene economists in 1990 and the work of the SDK in 1993?

One of the particularities of the position of the SDK was that its role stemmed from the hotly contested issues debated before the passing of Slovene privatization legislation. These debates centered around the nature of social property itself and the way to engineer its transformation to private property. The same unresolved problems that economists identified as hindering the effectiveness of social property in self-management emerged as questions at the moment of privatization. Who owned social property? Did it belong to everyone or to no one? What was the relationship between managers and the social property at their disposal? If social property was to be sold, who was going to sell it? Who could buy social property? Who was to benefit from this sale? The delay resulted in large part from a disagreement concerning these basic questions.

One can say that the Law on Ownership Transformation of Companies -- the Slovenian privatization law -- was an expression of the way that these issues concerning social property were resolved and legalized. In many ways, however, they were not definitively resolved, as the law was a compromise between both options: a percentage of social property was to be distributed among Slovenian citizens and certain state funds, while another could be sold to company employees or to those interesting in buying

15I would like to cite here the case of Dr. Alenka Žnidaršič-Kranjc who was a contributor to this conference entitled "New Forms of Illegal Usurpation and Selling of Socially-Owned Property." She argued for the need to impose legal sanctions on those committing these acts as a means of discouraging these sorts of activities. However, in late 1993, when she was an economic advisor to the cabinet of President Milan Kučan, she became one of the most vocal critics of Romana Logar and the reports of the SDK. Žnidaršič-Kranjc herself was later considered to be one of the possible replacements for Romana Logar as head of the Agency.
company shares. Each company was to draft its own program which would then be presented to the state's Agency for Restructuring and Privatization for approval.

In the words of the court, the role of the SDK was to protect the value of social property in the public's name until it was to be transferred to its future owners. The opposition that the SDK encountered was the resistance to having transactions conducted with social property to be evaluated in this fashion, for it questioned the naturalness of the property rights acquired by way of the Enterprise Law. It was the naturalness of these rights that they were defending in questioning the constitutionality of the work of the SDK which they interpreted as retroactive with no mention as to the public expense at which those property rights may have been acquired. The case brought against the SDK was articulated in terms of a conflict between the owners of private property and the guardians of social property, the resolution of which would determine whether these privatizations were to be considered primarily as transactions with social property or transformations into private property according to a deficient law. The decision of the Constitutional Court placed precedence on the obligations of companies and individuals as managers of social property, not on their rights as potential owners of previously social capital. As such the transition from social property to private property was to be conducted in the interests of social property as a public good and not as an a priori commodity to be sold for private gain.

By this I do not mean that the decision of the court expressed an objection to the sale of social property as a commodity nor to privatization itself. Instead the court's decision bridged the opposition between the interests of social capital and private gain upon which the case of the companies was founded; instead it argued that it was in the public interest that the value of social capital be maintained so that the sale or distribution of social property would more beneficial for all concerned. The court's decision presumed an interim period before the completion of privatization (a transition period) during which the rights of
social property -- however legally paradoxical that may be -- needed to be recognized and protected.

The success of the SDK lay in its being able to fulfill its duties during an interim period between both legal systems: the former based on the predominance of social property and the latter on that of private property. This implied enforcing a continuity of the rights of social property, including after the initial implementation of market reforms.

The legitimacy that the SDK was able to accord the rights of social property made it both extremely popular and extremely controversial. Since the early 1990s there had been denunciations of wild privatizations, of excesses and of corruption. The transformation of the old political elite into an economic one was a phenomenon that has emerged throughout the post-communist countries of Eastern Europe and the former Soviet bloc. The particular institutional configuration of the SDK enabled it to access the sorts of information necessary to document the practices that were to have occurred outside the realm of the law. It was able to provide concrete evidence as to which companies and which persons were involved, how this transpired, and in what amount social property was damaged. Furthermore, the criteria that it employed to define what was considered to be damage to social property were not based upon the political identity of those who allegedly committed these violations. Instead, the criteria were based upon an almost ideal understanding of social property as a public good as well as a concern that certain privileges would not be employed to appropriate or privatize social property outside the criteria of what was legally considered sound management.

It was this very attempt to stay within the bounds of sound management as a legal category enabled the SDK to garner support from politically different groups. On the one hand, there was the popular support accorded to Romana Logar and the SDK, among those who were anti-communist and who saw the rise of the recycled elite as an economic power as the continuity of the previous regime. Equating political corruption of the previous regime with economic corruption, many of those who were against this regime
were also the political opponents of those parties whose members had also been members of the previous regime, particularly the Liberal Democratic Party of Slovenia (LDS) led by Dr. Janez Drnovšek and the Associated List of Social Democrats (ZLSD) led at that time by Janez Kocijančič. Both of these parties happened to form part of the coalition government -- led by Dr. Janez Drnovšek -- during the time that the SDK was conducting its audits. For those who were political opponents of the previous regime the fact that the SDK supervised the activities of the government presided by Drnovšek in itself was commendable:

It is no secret that a certain circle in LDS gets spots when they hear Romana Logar's name. It is understandable, for in the year and a half that she has been head of the SDK she has attained the status of the Slovenian equivalent of Milan's investigative magistrate Di Pietro in the public eye. In public she gained much applause, yet she caused many problems for the government.16

On the other hand, there were those who supported the work of the SDK who were not identified as political opponents of the members of the previous regime, but who approved of the SDK's elaboration of economic corruption as a legal category to be applied equally to all transgressors, no matter what their political background or position in the previous regime.

For example, one of the more surprising sources of support for the work of the SDK has come from the weekly Mladina which played such an influential role in the 1980s. Many of those who wrote for Mladina, particularly those who formed part of the socialist youth group ZSMS and the Committee for the Defense of Human Rights became leading members of LDS. After Slovene independence, Mladina continued to write provocative pieces, replacing Josip Broz Tito and the Yugoslav National Army as favorite political targets with the Roman Catholic Church and Janez Janša, one time political

prisoner and writer for *Mladina* and presently head of the Social Democratic Party of Slovenia (SDS). Despite the fact that the focus of their critiques was more on the political right wing which stood in opposition to LDS, the journalists at *Mladina* were staunch advocates of Romana Logar and the work of the SDK under her leadership. Stanislav Kovač, one of *Mladina*’s key journalists who works on economic issues, wrote extensively about the institutional conflict between LDS-run government and the SDK, compiling an account of the attempts on the part of the government to neutralize the institution as well as accounts of the sorts of abuses that the SDK reported in many of Slovenia’s key companies. (footnote)

The writers of *Mladina* did not advocate what they referred to as conspiracy theories that defined wild privatizations in terms of political continuity. In fact, Spomenka Hribar, who once frequented the pages of *Nova Revija* during the 1980s but later wrote sporadically for *Mladina*, dedicated her work *Svet Kot Zarota* to an analysis of Janez Janša, accusing him of employing irrational conspiracy theories as a means of attaining political power. Instead, the support of the SDK on the part of *Mladina*’s journalists lay in its support of the SDK’s enforcement of a set of objective legal norms for privatization of social property.

The very source of the SDK’s broad popularity and authority -- which lay in its enforcement of a particular set of legal criteria as a means of protecting the public’s interest in social property -- was also the source of its conflict with LDS. The SDK’s continued operation in its extraordinary role presumed the continuity (albeit temporary) of social property and the continued need to protect its rights until it was privatized. This included maintaining these criteria in an economy applying market reforms that did not presuppose an interim period before social property was to be fully privatized. In attempting to enforce the application of these criteria the SDK came up against legal obstacles that hindered its ability to fully monitor the transactions with social property as well as laws that in failing to account for social property allowed the conditions for continued damage to social property.
Although not empowered to act upon its findings, its evaluations of the Slovene legal system in terms of their protection of the rights of social property indirectly undermined the legality of Slovene privatizations.

As is often the case with supervisory institutions, the evaluations of the SDK were quite at variance with the discourses of progress and economic success of the LDS-led government. The reaction of the part of the state at the discrepancies between its discourses and those of the SDK was not to question the authority or quality of the finding of the SDK, but instead questioning the relevance of the criteria upon which the SDK based its evaluations. For example, when Tone Rop, a member of LDS and the state secretary for privatization at the Ministry for Economic Relations and Development, was asked about his professional opinion of Romana Logar and the work of the SDK, he replied that Romana Logar had accomplished a great since she took charge of the SDK. However, he also claims that

..in its statements it [the SDK] also sometimes brings in its own value judgments as to how companies do business and how company directors, and even how state institutions behave. This sort of general lack of confidence that it manifests in such positions is not what bothers me the most. I most of all resent that the SDK declares itself as the only institution capable of providing a technical, professional solution to these problems. 17

Rop's statement points to the way in which the reports of the SDK were not considered as enforcing certain objective legal standards but instead as imposing a set of criteria outside those that the state considered relevant for evaluating the way business should be conducted. It instead portrayed them as values belonging to another period. The fact that the SDK had the authority to impose these criteria rendered it a dangerous

institution in the eyes of its critics. The SDK was no longer a neutral clearing house but as independent -- and potentially threatening -- center of power, "patented as an Orwellian Big Brother of the Financial System."\(^{18}\)

It is certainly beneficial for us to have strong supervisory institutions during this time, yet on the other hand it is also true that it is too late to effectively guard socially-owned property. It is also important to keep in mind that the line between such a powerful institutions with irreconcilable functions such as the SDK, and a state within a state, into which such an institution could transform itself, is very thin.\(^{19}\)

At the same time, those who opposed the government’s efforts to bring the SDK as a supervisory institution under its own control saw the actions of the state as leaning towards totalitarianism and a subversion of the transition process. As warned France Bučar, onetime partisan, dissident, and the first Speaker of the Slovene National Assembly:

There is a very pronounced danger in these circumstances -- do not misunderstand me -- of fascism, or better yet, of a totalitarian system...The government wishes to have the RTV the system of payments, the office of the prosecutor all under its control. In short, all this points to the slow development of a totalitarian system.\(^{20}\)

The SDK and the state met for a final time before the Constitutional Court in May, 1996, at which time, given that the SDK had completed virtually all its audits, it confirmed the constitutionality of the division of the Agency into two more institution: The Tax Office of the Republic of Slovenia, and the Office of Revision of the Ownership Transformation of Companies. The decision effectively paved the way for the dismantling of the SDK, leaving Romana Logar as director of the Agency for Payments. In the institutional


\(^{19}\)Mija Repovž, *op. cit.*

redistribution there was no institutions created to supervise the privatization of social capital according to Slovene privatization, and in this fashion the state succeeded in relegating the need for the criteria employed by the SDK to the Yugoslav past, while at the same time appropriating the SDK’s image of the objective technocratic organization for itself.
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