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978-0-521-12258-0 - Investment and Property Rights in Yugoslavia: The Long Transition to a Market Economy

Milica Uvalic

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INVESTMENT AND PROPERTY RIGHTS IN YUGOSLAVIA

Soviet and East European Studies: 86

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Soviet and East European Studies, under the auspices of Cambridge University Press and the British Association for Soviet, Slavonic and East European Studies (BASSEES), promotes the publication of works presenting substantial and original research on the economics, politics, sociology and modern history of the Soviet Union and Eastern Europe.

For decades Yugoslavia has been trying to develop its own model of socialism based on workers' self-management and increasing use of the market mechanism. As a result, many scholars have seen the Yugoslav economy as very different from other socialist systems. In this book, Dr Milica Uvalić shows, on the contrary, how some of the fundamental features of the Yugoslav economy have remained similar to those characterizing other socialist economies.

Dr Uvalić focuses on theoretical and empirical issues related to investment in Yugoslavia since 1965. She examines investment policies, sources of finance, macroeconomic performance, enterprise incentives and current property reforms in relation to Western theory on investment behaviour in the labour-managed firm and to Kornai's theory of socialist economies. In line with Kornai, the author reveals that, in spite of substantial institutional change, the investment process has continued to be characterized by an over-investment drive, severe capital market distortions and capital allocation according to non-market criteria, frequent state intervention in daily enterprise policies and limited enterprise autonomy, lack of financial discipline and the socialization of losses. The author argues that investment reforms have not led to substantially changed enterprise behaviour, which illustrates the limited results to be expected from partial reforms in a socialist economy. The fundamental causes of investment problems in Yugoslavia are thus typical of 'traditional' socialist economic systems, rather than the specific characteristic of self-management.

Investment and property rights in Yugoslavia is a most topical work. It presents a great deal of new material and addresses issues that have previously been dealt with in isolation. It will be widely read by students and specialists of Eastern Europe, comparative economic systems and finance.

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MILICA UVALIĆ

European University Institute, Florence



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CAMBRIDGE UNIVERSITY PRESS

Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore,
São Paulo, Delhi, Dubai, Tokyo

Cambridge University Press

The Edinburgh Building, Cambridge CB2 8RU, UK

Published in the United States of America by Cambridge University Press, New York

www.cambridge.org

Information on this title: www.cambridge.org/9780521122580

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First published 1992

This digitally printed version 2009

A catalogue record for this publication is available from the British Library

Library of Congress Cataloguing in Publication data

Uvalić, Milica.

Investment and property rights in Yugoslavia: the long transition to a market economy / Milica Uvalić.

p. cm. – (Soviet and East European Studies: 86)

Revision of the author's thesis (Ph.D) – European University Institute, Florence, 1988.

Includes bibliographical references and index.

ISBN 0 521 40147 X

1. Business enterprises – Yugoslavia – Finance. 2. Investments – Yugoslavia. 3. Property – Yugoslavia. 4. Yugoslavia – Economic policy – 1945– . I. Title. II. Series.

HG4234.6.U93 1992

332.6'09497–dc20 91–34135 CIP

ISBN 978-0-521-40147-0 Hardback

ISBN 978-0-521-12258-0 Paperback

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To the memory of my father Radivoj,
from whom I learnt both to
love ideals and respect reality.

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Preface and acknowledgements

My main motive for choosing the topic of this book has been the desire to contribute to a better understanding of the behaviour of the Yugoslav enterprise. When I first started working on the topic of investment in labour-managed firms, I was surprised to find that, according to the dominant theories developed in the West, the labour-managed firm would be likely to underinvest as compared to its capitalist counterpart. At first sight this prediction seemed to be in sharp conflict with empirical evidence from Yugoslavia – the only existing economy where labour-managed firms are prevalent – since until the early 1980s the Yugoslav economy had been characterized by high rates of investment growth. I was curious to look deeper into the principal reasons for such a divergence of empirical evidence from theoretical predictions.

There are many people to whom I am indebted for their help while writing this book, although the responsibility for its contents, and for any remaining errors, is entirely mine.

This book has its origins in my PhD thesis – ‘Investment in labour-managed firms: theoretical problems and empirical evidence from Yugoslavia’ – and I would first like to thank my PhD examiners – Professors Włodzimierz Brus (Wolfson College, Oxford), Benedetto Gui (University of Trieste), Marie Lavigne (University of Paris I) and Aleš Vahčić (University of Ljubljana) – for useful suggestions and comments in revising an initial draft of the manuscript. My very special thanks go to my supervisor Mario Nuti for his patience, guidance, help and encouragement, useful critical comments and long discussions (including disagreements), all of which have been essential for the writing of this work.

I am also grateful to Stojan Babić, Will Bartlett, Josef van Brabant, Alberto Chilosì, Miša Crnobrnja, Renzo Daviddi, Dinko Dubravčić, Saul Estrin, Donald George, Norman Ireland, Derek Jones, Timothy King, Miroljub Labus, Maria Lacko, Paul Marer, Milić Milovanović,

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Dušan Mramor, Louis Putterman, Stephen Smith, Djordje Šuvaković, Jan Svejnar and Cristine Wallich for helpful comments on earlier versions of parts of this study. Useful suggestions on the econometrics part were provided by Giancarlo Gandolfo, Massimo Gerli, Grayham Mizon, Harold Sonnberger, and anonymous referees. I would like to thank Gianluca Caporello for having done the graphics, and James Newell for editorial help.

Last but not least, I must thank all my other Yugoslav friends who have helped me throughout the research, either through fruitful discussions, or by providing important sources of data and information, including Mitja Gašpari, Planinko Kapetanović, Vladimir Kravčuk, Dragan Liješević, Branislav Lukić, Branko Milanović, Žarko Papić, Tea Petrin, Marko Simoneti, Zorica Stevčić, Radmila Stojanović, Ivan Teodorović, Dragomir Vojnić, Ivan Vujačić and Duško Vujović.

Parts of the study have also benefited from the comments of participants of various conferences, workshops and seminars, including the conferences of the International Association for the Economics of Self-Management (1985, 1988, 1991), the conferences of the Italian Association for Comparative Economic Systems – AISSEC (1986, 1987, 1988), the Workshop on Financial Reform in Socialist Economies organized by the World Bank and the European University in Florence (1987), seminars of the Working Group on Comparative Economic Systems at the European University Institute (1984–88), and the meetings of PHARE consultants for Eastern Europe to the Commission of the European Communities (1990–91).