In the 1970s, Yugoslavia entered an economic recession, as did all of Europe. The oil crisis triggered radical socioeconomic structural change throughout the Western world. Economic slumps and the competitive pressure from low-wage countries brought not only the old European industrial system to its knees but also the societal model that had so definitively shaped the continent’s economy since the nineteenth century. Entire industrial sectors collapsed. Factory work, the leading harbinger of economic hope during the industrial era, gave way to the service sector. While the West lost its basic trust in perpetual, unhampered industrial growth, Yugoslavia’s economy fell onto hard times. After the boom years, the socialist system faced its gravest problems of credibility.

Turbulence in the Global Economy
Triggered by the 1973 oil crisis and the collapse of the international currency system, the global economy experienced serious turbulence that severely rocked traditional industrial sectors, such as mining and heavy industry, which were the foundation of the Yugoslav “economic miracle” and the *raison d’être* of the socialist system. While in the West the “third industrial revolution” heralded the transition to the information and service society, global structural change and the worldwide economic crisis put the planned economies of Eastern Europe under unrelenting pressure. In Yugoslavia, massive production losses and sales problems reduced the financial feasibility of importing consumer goods. Amplified by bad planning, mismanagement, lack of investment, and technological gaps, the terms of trade worsened for Yugoslavia: imports became more expensive and the trade deficit grew. In the face of surging unemployment, it became increasingly difficult to fund the growing welfare expenditures. Also, consumerism had created expectations of continued economic growth that, as now became clear, could not be satisfied indefinitely.
The downfall of the culture of plenty and pleasure resulted in the deep disappointment and disillusionment of many. Hence, support for the system began to slip away. But no alternatives were immediately accessible to the relatively underdeveloped socialist country of Yugoslavia with its outmoded economic structure. Therefore, the demise of industrialism brought about an irreversible loss of legitimacy for the socialist regime.

As elsewhere in Eastern Europe, the Yugoslavs attempted to compensate their loss of income with foreign loans. Since no one wanted take responsibility for the economic slump, republics and provinces borrowed more and more money from abroad. Paradoxically, Yugoslavia experienced its all-time greatest surge of investment in this decade. Hundreds of new streets, hotels, sports arenas, and libraries sprang up, which caused the public to believe in the existence of a prosperity that did not at all correspond with the country’s economic performance. In this way, the republics led the state into a fatal debt trap. Between 1973 and 1981, the total sum of liabilities rose from $4.6 billion to $21 billion. In addition, between 1975 and 1981, the interest rates tripled, from 5.8 percent to 16.8 percent. Since the republics doggedly refused to cut back on expenditures, all the central government could do was to print ever more money.

The Eastern bloc countries also attempted to stem the crisis with increasing foreign loans. As a result, the level of debt in the Eastern bloc states grew from $6 to $110 billion between 1970 and 1990.

At the impressive rate of 8 percent, economic growth still remained high, while investments and mass consumption continued to expand and real incomes climbed to their highest levels. Between 1965 and 1975, beef consumption rose from 6.2 to 14.7 kilograms per capita, while that of fish rose from 1.5 to 3 kilograms. Energy consumption increased more than threefold. The warning signs of a serious crisis, such as increases in the trade deficit, inflation, the cost of living, and unemployment, were consistently ignored.

The crisis intensified the tendencies toward societal disintegration inherent in the system, which had been allowing the republics and provinces to drift farther and farther apart since the 1970s. Whereas the state in Western industrial countries was taking on a greater role in governance, in Yugoslavia more economic responsibility was being shifted to the regions in the wake of decentralization, thus eroding the Yugoslav market and its infrastructure. From 1970 to 1980, the exchange of goods between the constituent republics dropped from 27.7 percent to 21.1 percent, and four-fifths of production either remained in the place of origin or was shipped abroad. Railways, postal service, and foreign trade were divided de facto into eight subsystems that interacted less and less with one another. Wages and incomes also increasingly diverged at a dramatic pace. The market mechanisms strengthened the competitive disadvantages of the less developed regions. By the mid-1970s,
the Slovene population was already seven times richer than the Kosovars. Despite the good intentions at the start, the government’s redistribution and structural policies were now facing a credibility crisis that endangered not only economic but also social and political cohesion.\(^9\)

In the end, Yugoslavia, like all socialist states, was not sufficiently adaptable to master the global challenges of the secular transformation, namely, to understand the structural change evolving from the shift to an information and communication society or at least to tap into new technological niches. The consequences were drops in economic growth, unemployment, government debt, and hyperinflation—and a glaring loss of political legitimacy.\(^10\)

**Bonapartist Reactions**

As the inner-Yugoslav disputes over politics and the economic problems increased, Tito focused on cultivating international relations, as if to distract from the state of internal affairs. At the beginning of the 1970s, Yugoslavia’s international status was stronger than ever before. The government signed additional agreements with the United States that ensured economic aid, exports, and investments, which complemented its bilateral trade relations with West European countries. Even the tense relations with Moscow since 1968 eased again, and in 1971 Leonid Brezhnev visited Belgrade. Tito sought neutral allies in advancing his proposal for a European security conference meant to lead to the recognition of the territorial status quo (meaning two German states) and eventually to the dissolution of the two political blocs dividing the continent. He was all too happy to assume the role of an impartial mediator between East and West in the early phase of détente. At the 1972 consultation meeting in Helsinki in preparation for the Conference on Security and Cooperation in Europe (CSCE), Yugoslavia distinguished itself by making an innovative proposal to advance confidence-building measures between opposing militaries that set standards for the subsequent negotiation process. Tito excelled in his role as the European peacemaker and was even suggested as a possible nominee for the Nobel Peace Prize in 1973. Once the Helsinki Final Act was passed in 1975, he invited the conference participants to Belgrade for a follow-up meeting in 1977. At this point Yugoslavia also developed friendly relations with China.\(^11\)

The demeanor of the Yugoslav leader on the international stage stood in strange contrast to his behavior at home. Following the shock of the “Croatian Spring,” Tito decided to grasp the reins of power tighter in his own hands and to allocate greater importance to centralism once again. A law passed in 1973 stripped the media of some of its freedoms, and leading editors and cultural functionaries lost their jobs to people trusted to follow the regime’s policies. “The means of disseminating information, the press, radio, television, must
be in our hands and not in the hands of those who work against our unity,” declared Tito. “We were too hell-bent on democracy.”

In 1975 a restrictive law was enacted that penalized hostile and counterrevolutionary activities, and by the mid-1970s roughly 4,000 political prisoners were behind bars in Yugoslavia. Only Albania and the Soviet Union imprisoned more people proportional to the size of the population. The regime resorted to political intimidation, monitored and locked up tens of thousands of people it found suspicious, while Marshal Tito continued to insist that “our revolution is not eating its children.” As it turned out, Tito’s system punished critics and nationalists but then adopted their main demands as its own. For example, the long-frowned-upon song “Our Beautiful Homeland” ascended to become the Croatian national anthem by way of a constitutional amendment in 1972.

In Serbia, artists and philosophers found themselves subjected to growing pressure from the regime. A series of “Black Wave” films were banned, as were books from Praxis philosophers, social critics, and writers like Dobrica Ćosić. Even the famous Korčula Summer School and the magazines Praxis and Filozofija were shut down. Professors from the University of Belgrade, such as Mihailo Marković, Ljubomir Tadić, and Dragoljub Mićunović, were suspended in 1975. Whereas most criticism of the system had been articulated within public institutions and structures up to that point, it was now voiced in the more open realm of civil society, as was occurring everywhere throughout Eastern Europe.

The “Basket 3” of the Helsinki Final Act signed in 1975 by the CSCE member countries, including Yugoslavia, guaranteed freedom of speech, which served as an irrefutable basis for the cause of the civil rights movement. In petitions and open letters, the Yugoslav opposition protested against the occupational bans leveled against university faculty members. Following the example set in Poland and Czechoslovakia, so-called “flying universities” emerged in 1976. Critical intellectuals organized lectures and discussions in private dwellings and printed oppositional magazines like Časovnik (Clock) and Javnost (The public). Yet dissidence remained a rather peripheral phenomenon in Yugoslavia. Rock music illustrates how great the overall approval of the system was for most of the population. Djordje Balašević, a singer very popular throughout all of Yugoslavia, had a hit in 1978 titled “You Can Count on Us” (Računajte na nas). Speaking for his generation, Balašević swore his unconditional allegiance to Tito and his state. “In Yugoslavia’s relatively happy, consumerist, hedonist, megalomaniac ecstasy,” complained Dobrica Ćosić, “the public word was powerless.”

The regime attempted to compensate for the lack of democratic liberties by further expanding self-management. The 1976 Law on Associated Labor helped advance decentralization. Free market competition was replaced with
the so-called negotiated economy. The self-managing councils in the factories, plants, and firms were to decide themselves about production levels and profits. New “Basic Organizations of Associated Labor” (OOOUR) were established as the hub of the societal order. They were meant to help workers exercise more input, quite in keeping with Marxian “free producers.” Several OOOURs banded together into “Complex Organizations” (SOUR). In addition, there emerged a complicated political system of delegates who, proceeding from the self-managing bodies, elected the district and provincial assemblies, which in turn elected the parliaments of the republics. In 1982, approximately 71,000 delegations existed with a total of about 767,000 members.\(^{16}\)

In practice, the reform did not lead to the foretold withering away of the state but to an even greater proliferation of bureaucracy. By the end of the 1970s, 1.5 million new regulations had been adopted. The bureaucracy grew eight to eleven times the size of bureaucracies in countries of comparable size.\(^{17}\) This resulted in further systemic disintegration and institutional confusion because a polycratic tangle of various self-management bodies evolved in nearly all institutions. For example, the Yugoslav postal and telephone company broke up into 291 basic organizations and the air traffic control authority into fifty-two. Countrywide, a total of 94,415 grassroots democratic entities of this type were operating in 1980.\(^{18}\)

In the end, the idea proved illusory that the negotiated economy, self-management, and the frequent rotation of delegates could actually breathe more democratic life into the one-party state. The Yugoslav system represented merely a higher form of institutionalized ineffectiveness that placed political opportunism ahead of economic rationality, canceled the rules of a market economy and entrepreneurial professionalism, bloated the size of the bureaucracy, and invited irresponsibility, wastefulness, and abuse of office.

*The Constitution of 1974*

Another area that seemed to offer compensation for the democratic deficit was in the politics dealing with nations and nationalities. The reform process begun in 1967 in favor of greater decentralization culminated in the 1974 constitution. A few core competencies remained centralized at the national level, such as the implementation and enforcement of federal law, the regulation of the economic order, and the defense of the country. Several confederative elements were added, such as the equal representation of the republics and their veto rights in federal bodies, and the collective head of state in the form of the nine-member presidency. Thus, Yugoslavia transformed itself into a “federation with several confederative characteristics.”\(^{19}\) The decentralization advocated by Kardelj had little to do with democratization, since state power was just transferred away from the federal level to the republics, without having created any real control mechanisms.
Politically speaking, the greatest foreseeable point of contention in the constitutional reform was the status of Kosovo, for neither the Albanians nor the Serbs were satisfied with the way this issue had been settled. Pristina resented that it had been denied the status of a republic. Although, for all practical purposes, being a republic would not have added significantly to the autonomy Kosovo already enjoyed, the decision left Albanians feeling degraded, both constitutionally and politically. What seemed too little to them was far too much to the Serbs. Belgrade was frustrated that Serbia was the only republic with a federal structure, like a miniature Yugoslavia. Its autonomous provinces of Vojvodina and Kosovo could vote on all key matters in Serbian politics, but they could forbid Belgrade from intervening to any degree in their affairs. For example, the provinces prevented the creation of a uniform economic development plan, the passage of a common defense law, and a centralized collection of statistical data in Serbia. In 1977, the Kosovars were enraged when it was discovered that the Serb leadership had listed the various problems in a “blue book.” An altercation was in the making until the wing of the party loyal to Tito intervened to rein in the adversaries. Tito decided simply to sweep the matter under the rug for the time being.20

The constitution of 1974 subjected politics at the national level to a complicated negotiation process between the republics. Nearly every issue became automatically laden with national fervor. Federalism and proportional ethnic representation institutionalized competition and conflicts between peoples and republics, not between political and ideological ideas. This reinforced the trend toward affirming national affiliation over Yugoslav citizenship. In practice, the principle of equal representation in parliament meant that a delegate from Montenegro represented about 20,000 citizens, while one from Serbia represented 200,000 people. Because the communists had given priority to the management of diversity, meaning the equal standing of nations and nationalities, they had neglected the main postulates of liberty and democracy. Tito’s Yugoslavia rested per definition on the consensus of its peoples and republics, meaning on collective, not individual, rights. With time, the elites of the republics showed an ever-stronger tendency to compensate the glaring democratic deficit with a “real-existing nationalism.”21

These same mechanisms to secure power were reproduced on a smaller scale in the republics themselves, with a striking lack of political participation and transparency. Once they were bestowed with more federal rights, the republics and provinces possessed all of the insignias of statehood. This did not lead to democratic competition but to national polarization. Political careers were pursued nearly exclusively in the institutions and party organizations of each of the republics, where things were not run any more democratically than they were at the national level. Instead, the system encouraged ethnic pillarization. With the exception of the military, there were practically no
channels for advancement in an integral Yugoslav context and no institutions with a nationwide base of legitimacy. Opaque networks developed among regional party leaders, bureaucracies, and major business firms. The communist “politocracy” created a polycentric system that was nearly unsurpassable in its inefficiency and lack of transparency.\textsuperscript{22}

Science and culture illustrate the distance that had developed among the republics by the 1970s. Part of the doctrine of “brotherhood and unity” was to allow each people to cultivate its own culture of memory through such means as scientific research, school books, monuments, and publishing. This meant that the principle of federalism also dictated the political uses of history: each republic authored its own national narrative and created its own historical images, and no republic was allowed to interfere in the affairs of any other.\textsuperscript{23} For this reason, the republics were free to devise school curricula on their own. This led to a situation in which pupils were taught little about Yugoslavia in their schools, but all the more about the history, literature, and geography of their nation and republic. In Macedonia, for example, middle school pupils spent twenty-one class hours learning about Macedonian literature and only five hours about the literature of the rest of the country. A person attending school in the 1970s learned very little about the other republics and peoples of Yugoslavia—an important step down the road to institutionalized alienation.\textsuperscript{24}

\textit{Tito’s Charismatic Leadership}

Although the 1974 constitution placed governmental power in the hands of a collective executive body, Tito’s epochal and almost unchallenged personal authority still remained indispensable for the system. The constitution had made him president for life, thus putting him in a unique position in the hierarchy of power. The rotation principle that had been applied to leading positions in government thwarted all attempts of prospective successors to inherit the political throne of the aged autocrat during his lifetime. As the republics drifted farther and farther apart and all of the governance functions of the centralized state vanished in the vortex of the highly chaotic political system, Tito’s own power grew boundlessly.

Despite his eighty years, the Yugoslav head of state radiated amazing vitality and phenomenal self-confidence. He ingeniously mastered the art of symbolic communication that mattered so much to the man and woman on the street. A foreign observer once accurately described Tito’s political style as that of a communist king. His stockpile of honors, titles, and symbols of power included seventeen palaces, villas, and hunting lodges, a fleet of state-owned automobiles, yachts, and particularly the “Blue Train” in which he traveled all across the country. For the most part, Tito governed from the seclusion of his private quarters, surrounded by only a few advisers. Critics may have grumbled about his vanity, hedonism, and monarchial demeanor, but it did not
seem very advisable to express such objections openly in light of his immense popularity. “It’s far better to have a bon vivant type of dictator like Tito than an ascetic type like Stalin,” noted a historian. “Our man enjoys the good life and understands that we want to live better as well.” An elderly lady from Sarajevo said: “Honestly, the people have never had it so good. He lets them live and enjoy life.”

Tito appeared in public sometimes as the beloved father of the nation, sometimes as the mentor of the common folk in their struggle with the bureaucracy. Every year he received thousands of letters: “Dear Comrade Tito: We . . . employees of Zvezda supermarket no. 8 in Kisač, love you and respect you so much we cannot describe.” The villagers of Uzdolje, Knin, Croatia wrote: “May God bless you and care for you for the benefit of all of us, our dear comrade Tito.” Dobrica Ćosić, who scorned Tito as the “greatest enemy in this century of my [Serb] people,” noted in his diary his disappointment over the fact that the country’s youth in particular were so incredibly fond of the president. “I am almost completely alone with my anti-Titoist feelings. . . . I feel so lonely, completely isolated.”

From Tito’s popularity radiated the nimbus of greater democratic consent. He was able to silence special national interests when he pointed out the threat to the common good. One example was the conflict, mentioned above, between Serbs and Kosovars over their respective criticism of the constitution of 1974. At Tito’s request, they simply swept their differences under the rug. Tito glossed over the fact that this was not a solution to the problem by presenting himself as the fair-minded mediator of conflicting interests. He was always exceedingly careful to maintain ethnic symmetries when he intervened, so that his verdicts would not spawn any nationalist myths of victimization. When, in 1971/1972, he dismissed first the Croatian and then the Serbian leadership from office, he did this without any public humiliation. Above all else, his personal image was not to be damaged by his actions.

Everyone knew that many decisions would have ended differently in the 1970s without Tito, even long before the Five-Year Plan for 1976 to 1980 was passed by the respective governing body solely because Tito commanded it to happen. Yet looking at the situation the other way around, the autocratic system of unbridled authority continued to function without a hitch. As the Croatian politician Savka Dabčević-Kučar remembered: “Even when a resolution was finally more or less ready to be voted upon following arduous deliberations in the elected bodies of representation and then Tito suddenly appeared with a fully new and contrasting proposal, his was adopted without objection.”

Anyone looking closely at the situation, however, could see how much things were already stirred up behind the scenes. Many were feeling restless. Leaders of the republics wanted even more power. The postwar generation
found it intolerable that anything could justify permanently excluding people with different opinions from political participation. Serbs and Albanians in particular, who rejected the constitution, waited impatiently for the moment when the last guarantor of the status quo stepped down, because the system would remain superficially intact only as long as Tito used his uncontested authority to ensure a fairly tolerable balance of interests.

In retrospect, the 1970s proved to be the profound turning point in which the tracks were laid for the collapse of the system in 1989/1990. The end of industrial modernity worldwide undermined the pillars supporting Yugoslavia’s postwar economic boom. The transition to a postindustrial society nullified the central paradigms of socialism: industrial progress and social justice. The system offered solutions to problems that no longer existed—its ideology had literally outlived itself in the poorly developed countries of Eastern Europe. Moreover, détente brought about a new international context. As outside pressure diminished, political-ideological solidarity dwindled and even the cohesion of the nonaligned bloc dissipated. All in all, the later loss of legitimacy for Tito’s societal model was now predestined, even if this was not yet fully evident. Progress was proving to be no longer plannable; the credo of socialism was turning into an illusion. With courage born of despair and a great deal of ignorance, the Yugoslav system stuck doggedly to its now unrealistic promise of prosperity. It financed an overextended public sector on credit, refused to undergo fundamental reform, and thus acted as the guarantor of outdated industrial structures.