

Recent Trends in the Yugoslav Co-operative Movement

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On 28 September 1955 a conference of Yugoslav economic leaders examined the state of the national economy and adopted a number of principles regarding the direction to be given to future development, one of which was worded as follows: "An essential prerequisite for the future development of over-all agricultural production is the strengthening of agricultural co-operative societies, though a rise in agricultural production cannot be secured without unremitting effort by individual producers."¹ The author of the following article studies, first and foremost, the present development of these agricultural co-operatives, which, under a decree dated 26 January 1954, carry on a number of other activities related to their primary purpose of agricultural production.² He also reviews briefly the activities of other types of co-operative, the importance of which is relatively small in Yugoslavia.

BEFORE attempting to describe the recent trends in the Yugoslav co-operative movement it will first be necessary to review very briefly the general circumstances out of which these trends have arisen.

The beginning of the 1950s marked a turning point for Yugoslav agriculture. In the first years after the war it had been entirely subject to the control of various government departments; the authorities determined the distribution of the national income and the free operation of fundamental economic laws was suspended. At that time all the country's efforts were wholly directed towards

¹ See *Industry and Labour* (Geneva, I.L.O.), Vol. XV, No. 2, 15 Jan. 1956, pp. 67-68.

² *Službeni list Federativne Narodne Republike Jugoslavije*, 26 Jan. 1954, No. 5.

repairing the terrible destruction caused by the war and making up as soon as possible for the backwardness of centuries. The whole of Yugoslavia's economic policy was concentrated on industrialisation, and particularly on the creation of heavy industry, which had hardly existed hitherto; this was bound to involve a sharp disproportion between the funds allotted to industry on the one hand and to the remaining sectors, particularly agriculture, on the other.¹

By 1950-51 the country's chief economic objectives had been largely reached. This and a fortunate improvement of Yugoslavia's position, particularly at the international level, made it possible to relax government control of the economy and to introduce a "new economic system" aimed at democratising the economy, releasing it more and more from bureaucracy and state control, and ensuring freer operation of economic forces and a freer market.

In order to show how the co-operatives developed as a result of the economic and social changes mentioned above, it will be advisable to give two further pieces of background information.

First of all, during the preceding period government circles had shown very close interest in co-operative organisations, particularly the various types of agricultural co-operative: it was believed that these had an important part to play in national reconstruction, and it was intended that they should contribute substantially to increasing agricultural output and the country's productive forces, and establishing a new social structure.² Such an approach seems reasonable enough if it is realised that farming occupies 65 per cent. of the country's total population and that agriculture comes second only to industry in the national economy.

Secondly, the Yugoslav co-operative movement is unusually diversified. This circumstance, which is by no means an effect of chance, enables each group of peasants to choose the type of co-operative that suits it best and allows the agricultural economy to develop smoothly.

It will, of course, be impossible to review, in this brief article, all the trends that have appeared in the Yugoslav co-operative movement during the past few years, or to describe all the forms

¹ During the first ten years following the war the amounts invested in agriculture never exceeded 10 per cent. of the total for the whole economy.

² The new Constitution of the People's Federal Republic of Yugoslavia includes three provisions (articles 14, 15 and 17) on co-operative organisations, on the basis of which three Co-operative Acts have been issued to date, as well as a legislative decree, to say nothing of a whole series of provisions, statutory and other, which directly or indirectly affect the co-operative movement. Very large credits are placed at the disposal of the co-operative organisations on highly advantageous terms (or free of any charge), and these organisations also continue to enjoy important fiscal and other privileges.

of co-operative organisation in this country. It will therefore be necessary to concentrate on what is most characteristic.

GENERAL AGRICULTURAL CO-OPERATIVES

The so-called "general agricultural co-operative" is by far the commonest type of co-operative organisation in Yugoslavia. According to the latest data there were 6,187 of these co-operatives, with an aggregate membership of 1,443,000 at the end of 1955. (The number of other agricultural co-operatives did not exceed 950, with a membership of 132,219.) They are called "general" because they engage in various economic and other activities, including the purchase of industrial commodities, the production and sale of agricultural goods, the issue of loans to members, the establishment of savings funds, and the operation of hotels.

Commercial Transactions

The growth of these co-operatives' commercial activity falls into several well-defined periods. Until 1950 expansion was moderate and relatively steady: in that year their turnover amounted to 25,000 million dinars. Subsequently, after the introduction of the new economic system, big changes occurred at a rapid pace. Turnover doubled in a single year, rising to the imposing figure of nearly 100,000 million dinars by 1954. In 1952 the commercial transactions of the general co-operatives already amounted to 20 per cent. of all retail commercial operations throughout the country. A year later this percentage had risen to 24.8.

However, this remarkable success should not conceal the other side of the picture. A study of the operations of these co-operatives shows, at almost every stage in the post-war years, a sharp disproportion between their commercial transactions and other economic activities: the commercial turnover amounts to some 70 per cent. of the co-operatives' total business. Worse still, a similar disequilibrium existed in the co-operatives' commercial transactions themselves, for the value of the industrial products they were buying was three times higher than the value of the agricultural products they were marketing.

In other words the general agricultural co-operative was largely content to act as a kind of rural consumers' society, engaged mainly in the wholesale purchase and distribution of industrial products. This activity was clearly inconsistent with the role it had been created to play.

The reasons for this situation are not hard to see. Some lie outside the co-operatives themselves, and stem from the economic

and social conditions of a period in which remnants of the old system of state control of the economy still subsisted. For example the state monopoly on the grain market had never completely disappeared (an entirely comprehensible situation, since the transition to a system of greater economic freedom could not be expected to become totally effective at one stroke or within a very short time). Other reasons were internal and resulted from the difficulties of various kinds that beset the co-operatives, particularly the shortage of specialised personnel.

During the second half of 1956 the general co-operatives were largely able to remedy the disequilibrium mentioned above. In that year they were given exactly the same rights as state commercial organisations, even as regards the purchase of grain, and this development made it possible to abolish a number of state grain-purchasing centres, with the result that the agricultural co-operatives now buy almost all the farm produce of the country.

This measure could not fail to have a satisfactory effect on the volume of the co-operatives' turnover. According to the official data now available the value of agricultural produce purchased by the co-operatives amounted at the end of 1956 to 85,600 million dinars, or 64.8 per cent. of total transactions in agricultural produce throughout the country.

It is noteworthy that the co-operatives have been able to cope with the problems raised by the very great expansion of their commercial activity; the scope of this achievement may be measured by the difficulties it has involved—both shortage of specialised personnel and need for storage and sales premises. To solve the personnel problem, the co-operatives have established a system of training courses. In some of the Republics, such as Croatia and Slovenia, special co-operative schools have given good results. The most highly skilled grades of staff have been trained at the university faculties of economics and agriculture or the agricultural colleges, where co-operative organisation is a compulsory subject of study.

Financial Transactions

The credits required by the general agricultural co-operatives for their trading activities are supplied by the National Bank and the Investment Bank, as well as by the co-operative savings banks, the recent establishment of which marks an important stage in the history of the co-operative movement (see below).

For their part the co-operatives act as rural credit and savings banks. Since they controlled both the purchase of industrial goods and the sale of farm products, these co-operatives succeeded

within a very short time after the war in supplanting private dealers entirely in the villages, where they dominated the market. For this reason they very soon came to extend credit to farmers with whom they did business. In 1950 nearly 5 milliard dinars were advanced on short-term loan in this way; by the following year this sum had almost doubled and in 1954 total short-term loans had risen to 14,304 million dinars.¹ In this way the co-operatives put back into circulation considerable sums of money that were previously hoarded in the villages.

Thanks to the introduction of the new economic system savings accounts have increased, as will be seen from table I; indeed they have increased so rapidly as to treble between 1952 and 1954. The position is the same as regards the other financial resources (shares and collective capital) available to the general co-operatives.

TABLE I. VALUE OF SAVINGS ACCOUNTS, SHARES, AND COLLECTIVE CAPITAL OF GENERAL AGRICULTURAL CO-OPERATIVES, 1950-54

(Thousands of dinars)

Year	Savings accounts	Shares	Collective capital
1950	145,665	404,873	1,802,694
1951	162,825	423,241	3,139,800
1952	205,678	649,937	8,969,156
1953	400,694	735,994	13,403,000
1954	617,303	805,674	23,273,000

The increase in collective capital, which totalled almost eight times as much in 1954 as in 1951, is particularly striking. This is regarded as most encouraging not only for the progress of the co-operatives as modern undertakings but also for their economic independence.

These remarkable results were not obtained without much difficulty. The problem of credit was particularly complex. Considerable changes had to be introduced in order to adapt the whole credit system to the needs of the economy under the new conditions. There had previously been no entirely reliable objective criteria on which to base the allocation of credits. Trading organisa-

¹ There are no longer any credit co-operatives in Yugoslavia, although these institutions were one of the chief elements in the co-operative movement before the war. Owing to the liquidation of the agrarian debt in 1936, and to the upheaval caused by the war, the credit co-operatives have entirely disappeared. This explains why the general agricultural co-operatives now perform an important role in the issue of credit and the constitution of savings accounts.

tions, including co-operatives, often applied for larger amounts than they really needed, or obtained sums for one purpose and used them for another. For lack of adequate documentation the National Bank often had to ask the co-operatives for supplementary information, and this amounted to interference in the co-operatives' affairs and infringement of their independence. To avoid all these drawbacks, and particularly in order to provide an objective economic criterion for the grant of credits, the "competition" system was adopted. The Bank calls on each prospective borrower to send it a detailed application, including a statement of reasons and an indication of the interest rate it is prepared to pay. On the basis of these applications the Bank advances loans to the co-operatives that come out best in this competition, the chief criterion being the profitability of their operations. The new method provided a useful economic yardstick and eliminated the risk of abusive borrowing or, in other words, of waste; but it had disadvantages, too, for credits were allotted rather slowly and there was too much centralisation.

The desire to remedy these disadvantages led to the spontaneous formation of co-operative savings banks, which are being established all over the country and have already set up unions in all the federated Republics. The establishment of these banks is another milestone in the history of co-operation in Yugoslavia. They are secondary co-operative organisations, to which co-operative societies and co-operative undertakings as well as individual farmers and workers may belong. Each savings bank has an assembly, a committee of management and a supervisory board; its financial resources are made up of members' shares, other payments made by them, their current accounts, the bank's own collective funds, and amounts obtained on loan. These institutions work together with the credit and savings sections of the general agricultural co-operatives and with the National Bank, which has branches in many towns and even in the capitals of districts. The agricultural co-operative banks thus constitute a useful addition to the credit structure; they also provide a means of giving economic guidance to members of co-operatives and encouraging them to save. The establishment of such banks marks a new step forward in the process of democratising and decentralising the Yugoslav credit system.

Agricultural Production

The general agricultural co-operatives ought, of course, to devote most of their energies to agricultural production; yet until quite recently it was in this field that their activities were the

least satisfactory. At the end of the period of full-scale government planning, the proportion of agricultural production in the net income of the co-operatives was very low (only 3.5 per cent.).

Between 1945 and 1950 co-operative farms did not obtain any very remarkable results although there were 1,149 of them at the end of 1950 with a membership of 63,400. Like agriculture as a whole they had come up against a good many difficulties: capital equipment, and particularly tractors, was in short supply; there was a shortage of skilled workers, mainly mechanics, and the land was highly fragmented—a most serious obstacle to the rational use of modern equipment.

As the new economic system was increasingly applied it was found that, side by side with changes affecting agriculture as a whole, co-operative farms were developing more rapidly. This was particularly the case after the passage in 1953 of an Act which limited the individual holdings of rural families to 10 hectares, the remainder devolving to a special pool at the disposal of the community and particularly of the co-operative sector. As a result of this Act the number of co-operative farms and the area in their possession increased, as may be seen from table II.

TABLE II. NUMBER AND AREA OF CO-OPERATIVE FARMS, 1952-55

Year	Number of farms	Area in hectares
1952	918	31,645
1953	1,424	131,716
1954	1,893	144,974
1955	1,784	148,772

Two new factors which are characteristic of co-operative development in Yugoslavia have come into play in recent years, particularly in 1955 and 1956. First of all, the community is helping the general co-operatives—and through them their numerous members—in a number of ways, particularly by the grant of large credits on favourable terms for the acquisition of farm machinery, livestock, artificial fertilisers, selected seed, etc. Secondly, the peasants themselves are beginning to show a keen interest in their respective co-operative organisations and the will to work together with them.

This tightening of the links between the co-operatives and their membership, this spontaneous collaboration, founded on the principle of complete but quite voluntary association and on the sure foundation of mutual interest, has spread very rapidly in

widely different branches of rural life—cultivation, stock-raising, use of pasturage and water, bee-keeping, and so forth. Often the co-operative uses its own machines for work in the fields cultivated on an individual basis by its members ; for this service it receives an appropriate fee. Some co-operatives even do jobs for peasants who are not members—usually at a slightly higher rate.

The “guaranteed yield” system is another example of such collaboration. The co-operative and those of its members who desire to do so may pool their resources in some productive operation, the co-operative guaranteeing the individuals concerned a certain average yield for one or more years ; any output exceeding the quantity specified in the agreement is distributed equally among the parties. The following is another interesting form of collaboration : the co-operative may undertake by agreement with its members to do certain work for them, using its machinery, and to reduce the normal charge (by 10 to 15 per cent., for instance) on condition that the members consolidate their holdings. In this way the co-operative leads its members towards the voluntary constitution of good-sized farms—a most important factor in agricultural development ; in this way, too, equipment can be used more rationally, work divided more efficiently, etc.

A few examples of collaboration in stock-raising and water utilisation may also be mentioned. The co-operative buys pedigree stock—for example, cows—and hands them over to its members against payment of the original price, plus a small interest charge, by a specified date ; the members, for their part, undertake to sell all the milk produced by these cows, as well as their calves, to the co-operative at the market price. In mountain areas the co-operatives conclude pasturage agreements with some of their members, under which the latter undertake to sell specified quantities of milk to the co-operative at an agreed price. The co-operatives may also take charge of members’ irrigation and drainage, using its own equipment, in exchange for payment in some agreed form.

NON-AGRICULTURAL CO-OPERATIVES

Non-agricultural co-operatives also appear in many different forms in Yugoslavia. Some of these are very old, having taken root in the country during the latter half of the nineteenth century. Others, quite new and original, have arisen out of the different economic and social conditions introduced since the liberation.

Among them the following deserve mention : various craft co-operatives for supply, production, marketing and provision of services ; co-operatives for building, housing and reconstruction ;

savings and credit co-operatives; co-operatives for mineral prospecting; students' co-operatives; and even some school co-operatives in country districts as well as towns. It is clearly impossible to deal with all these forms here, and even the most significant can only be discussed briefly.

Craft Co-operatives

In the cities and towns co-operation mainly takes the form of craft co-operatives, which are particularly numerous and important. The two groups to be dealt with here are production co-operatives and supply and marketing co-operatives.

Craftsmen's Supply and Marketing Co-operatives.

The number of the latter has steadily declined owing to amalgamation of some of the smaller units (from 207 in 1954 to 198 in 1955 and 179 in 1956), while their aggregate membership has increased (51,163, 54,057 and 57,497 for the same years), as have their financial resources (members' shares and collectively owned capital). The aims of these co-operatives and their activities vary widely. Recent developments in this respect reveal a characteristic trend and deserve closer study.

The main functions of the craftsmen's supply and marketing co-operatives are to purchase all the supplies and equipment (including raw materials) which their members require, and to market members' products. Besides these purely commercial operations, they perform the financial function of making loans to members. Moreover—and this has become particularly important in the recent period—they help their members as regards production: they have set up special services to deal with the public and have bought equipment for the use of their members which the latter could not have bought for themselves.

Furthermore, they have recently begun to organise important and complex operations involving the collaboration of several crafts. For example, when a large block of flats, a factory or a large ship is to be built and the inside work requires a number of craftsmen, the co-operatives arrange and co-ordinate the work.

Some of the trends observed among general agricultural co-operatives, which are guiding their members more and more towards productive operations, may thus be observed also in the case of craft co-operatives for supply and marketing.

Craft Production Co-operatives.

The craftsmen's co-operatives for joint production are the most complete kind of production co-operative, the highest form of co-operation among members of the various crafts. They are

now going through a characteristic stage of development, due mainly to the transformation of Yugoslavia's economic system but also to the rapid pace of industrialisation and the big changes in the structure of the population.

The object of these co-operatives is joint manufacture of handicraft products and subsequent marketing, or joint engagement in certain trades and the provision of related services. They are found in all the more important crafts: the commonest consist of tailors, bootmakers, joiners and hairdressers; next come building co-operatives, grouping bricklayers, painters, electricians, etc.; there are also a few very interesting co-operatives grouping makers of Yugoslav traditional jewellery and filigree work, sculptors and wood engravers, lace makers, basket makers and carpet makers; some of the carpet makers' co-operatives are very old and produce goods of world renown.¹

Immediately after the war these co-operatives played a leading part in the development of crafts by helping to improve the quality and increase the quantity of output; this was an extremely precious contribution to many branches of industry.

In more recent years the position of the craftsmen's production co-operatives has changed in several important respects. With the spectacular progress of industry, many co-operatives in certain trades have already lost ground; for instance, there has been a gradual decline in the membership of the bootmakers', tailors' and joiners' co-operatives. On the other hand, the expansion of the building industry has led to a rapid growth of co-operative organisations in this important economic sector.

These consist of groups of craftsmen and workmen in a particular trade who have organised co-operative societies to undertake various jobs in common. This form of co-operation, advocated by Albert Thomas many years ago, has been reborn in the present-day social conditions of Yugoslavia and is spreading fast.

The fall in the numbers and size of the craftsmen's production co-operatives of the classical type may be regarded as perfectly natural in a country where all branches of industry are developing fast. However, this situation does not preclude the future growth of other types of craftsmen's co-operative organisations, particularly building co-operatives and others connected with crafts that require some artistic skill. The direction in which the craftsmen's co-operatives have been developing provides a clear proof of this.

¹ At the end of 1956, 905 of these craftsmen's production co-operatives had an aggregate membership of 18,363. Between 1954 and 1956 the value of the shares owned by members of these co-operatives rose from 25,600 to 35,800 million dinars, and the value of the collectively owned capital rose from 1,500 to 1,900 million.

Housing Co-operatives

Before closing, mention should also be made of one type of craftsmen's co-operative organisation that has grown with special vigour in recent years—the housing co-operative.

In the immediate post-war period the initiative in housing construction lay, to a very large extent, with the public authorities, and there were very few housing co-operatives; in 1954 there were still only 20 of them. From then onwards, however, they began to play an important part in tackling the serious problem of housing, which in Yugoslavia had been extremely acute not only because of the terrible war destruction but also because many rural workers flocked into the towns and centres of industry in search of employment. It was then that the many advantages of housing co-operatives, which had been established in many industrial areas, cities and smaller towns, came to be appreciated. They soon proved their worth and showed that they could considerably reduce the cost of housing construction.¹

Nowadays the housing co-operatives usually undertake the construction, maintenance and repair of buildings intended for housing. Within this general framework there are, of course, many different forms of organisation. The best results have been obtained by complex housing co-operatives, such as that at Skoplje, which has the whole range of machinery used in the building industry and even its own draughtsmen's office and can consequently handle every stage of a construction project from the planning onwards. Quite recent experience has shown that co-operatives of this kind are best qualified to construct housing accommodation at the lowest cost.

At the present time shortage of financial resources is still one of the major difficulties facing the housing co-operatives—and they are not alone in this respect. To meet this difficulty a Housing Construction Contribution Act has been passed, under which funds for the issue of construction credits have been established at the local level; they are available both to private individuals and to co-operative organisations, provided (in the latter case) that the co-operative undertakes to contribute at least 25 per cent. of the cost of the construction project from its own funds. Although a long step forward in this direction has already been taken and a system has been established enabling the resources of the community and of the co-operatives to be used to the best possible advantage, the shortage of funds belonging to the co-operatives

¹ In several cities—Subotica, Sarajevo, Nish, Skoplje—a square metre of dwelling space under co-operative arrangements cost 11,000 to 12,000 dinars. In the rest of the country the cost was 25,000 to 35,000 dinars.

themselves, already mentioned in the preceding pages, is still felt. Accordingly other solutions, such as the grant of subsidies for housing construction and the issue of larger credits, have been considered preferable and proposed. These solutions, if adopted, would lead to a reduction of the financial contribution required of the co-operatives.

CONCLUSION

Recent trends in the Yugoslav co-operative movement reflect above all its desire to act at the highest economic levels, to organise a superstructure for itself and to play an active part in production. This holds good both for the agricultural co-operatives and for many of the others.

The rapid pace of industrialisation in a country like Yugoslavia, where the economy was underdeveloped only a short time ago, imposes a certain degree of stagnation on some classical types of co-operatives, but opens wide prospects for new co-operative forms, particularly in the vast field of the construction industry, without at the same time restricting the growth of co-operatives whose members have certain aptitudes or talents to contribute.

In a country where living conditions are favourable and technical and social progress is a living ideal, widespread constructive collaboration between the community and the co-operative organisations can easily be secured. Consequently, in the People's Federal Republic of Yugoslavia, co-operation is in no danger of being stifled by state control, for the State has itself taken the initiative in abandoning some of its former economic functions and entrusting them to the organisations of producers.
