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*Source / Izvornik:* **Working Papers in American Studies. Vol. 2. Quarter of a Century after the Fall of the Berlin Wall. Perspectives and Directions in Croatian and Regional American Studies, 2016, 2, 32 - 43**

**Journal article, Published version**

**Rad u časopisu, Objavljena verzija rada (izdavačev PDF)**

<https://doi.org/10.17234/WPAS.2016.3>

*Permanent link / Trajna poveznica:* <https://um.nsk.hr/um:nbn:hr:131:885424>

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*Download date / Datum preuzimanja:* **2024-07-19**



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## “Shedding Surplus Labor”: Fordism, Socialism, and the End of a Workers’ State

Based on the reading of a 1991 World Bank report on the industrial restructuring of Yugoslavia and the archival study of one of Yugoslav biggest industrial systems, Borovo, this article reflects on the position of labor during the critical period of our transition to capitalism. The Yugoslav socialist project is here viewed as an instance of “socialist Fordism.” The beginning of its demise in the 1980s is described in the light of the global advance of a U.S.-dominated, financialized capitalism. Particular stress is put on the class aspect of “post-socialist” transition, as well as the lived experience of crisis.

**Key words:** Yugoslavia, socialism, capitalism, post-socialism, deindustrialization, Borovo

In the 1991 World Bank report on the “industrial restructuring” of Yugoslavia, we read that one of the characteristics of the Yugoslav economy is “increasing industrial maturity” (10).<sup>1</sup> In other words, in 1991, one of country’s main creditors estimates that the moment in the cycle of economic life has come when Yugoslavia is ready to deindustrialize. I will return to the organic metaphor at the heart of this normative claim, as well as its political-economic underpinning, later on in the text. For now, let me note one of its obvious implications, namely, that Yugoslavia was an industrial country (although an industrial country with idiosyncratic features, as the same report emphasizes). This claim becomes more palpable if—keeping in mind the notorious and regularly emphasized problem of the country’s

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1 The essay is part of research conducted in the project “A Cultural History of Capitalism: Britain, America, Croatia” funded by the Croatian Scientific Foundation (HRZZ-1543).

uneven development and its strategic reliance on the countryside for “labor rationalization” (Woodward 2003: 77)—we consider the fact that, in 1983, the participation of industry in Yugoslav GDP was 41% (Feletar 85). As I will illustrate in the latter part of this text, although Yugoslav industry was experiencing a downturn since the late 1970s, the beginning of its virtual destruction—with all the consequences this would have for a workers’ state that based its legitimacy on a productivist notion of labor—is inextricably linked to a historical conjuncture defined by the advance of a U.S.-dominated, financialized capitalism. For my purpose here, it is relevant that twentieth-century industrialization was also based on an American (Fordist) model, and that Yugoslavia, along with other socialist countries that needed to move quickly from an economy based on agriculture to one based on industry, was in this respect no exception. Indeed, at least one commentator used the phrase “socialist Fordism” to describe Yugoslavia in the period between 1945 and 1970 (cf. Suvin 110). The strategies involved in the process of industrialization, as well as the local conditions and political articulations, certainly differed, but this should not prevent us from discerning structural tendencies as these emerge in one place of the globe, only to be disseminated elsewhere.<sup>2</sup> Such a move from the core to the periphery should thus not be taken to imply some unmediated imposition of “foreign” social forms, but rather their local and necessarily “impure” grafting.

Since this text should be understood as a series of preliminary propositions in an ongoing study of socialist appropriation of Fordism (and its

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2 For two micro-histories of the Soviet case, see Melnikova-Raich. For a good overview of the problems involved in studying “the experimental, accidental development of the dominant Fordist paradigm,” see Jessop. Jessop also gives a useful minimal definition, arguing that Fordism can be best understood as “a core mode of regulation whose minimum features comprise: a wage relation in which wages are indexed to productivity growth and inflation, the state has a key role in managing demand, and state policies help to generalize mass consumption norms.” While taking into account the contributions of the regulation school, I would like to stress that the view I take of Fordism here is a historical one, and that my interest lies primarily in Fordism as an organization of social life, which includes its cultural articulations.

limits), I would like to refrain from engaging in a “taxonomic discussion” (Jessop). Instead, as a working hypothesis, I would like to propose that the socialist attraction to Fordism came, apart from the obvious interest in industrialization, from the central position Fordism ascribes to work in the organization of social life, wherein the basic unit of social organization, the enterprise, encompasses not only the sphere of work, but expands to embrace and support other social practices.<sup>3</sup> In that sense, Ford’s principle of the functional integration of work and life finds a peculiar counterpart in the notion of “associated labor,” the name that would be given to the basic social unit in the Yugoslav system of socialist self-management. But, if we agree that what characterizes a “Fordist socialism” is a fundamentally productivist ethos, we should also note that the position of labor and its productivity differs under capitalism and socialism, inasmuch as the latter puts labor in the service of class, or human emancipation, and not production of value for private profit.<sup>4</sup> Things are bound to get more complicated when we move from analytical models to the historical reality of class as the lived “productive relations” experienced “in cultural ways,” to summarize E.P. Thompson’s important formulation (150). My first move in that direction will be to look at the moment of demise of Yugoslavia’s productivist political-economic model and its ideological dominant. To do this, I will combine sources that will allow us to observe the class process on the world scale, as well as on the level of a socialist enterprise. The matter of the arrival of Tomaš Bata’s Fordist system and the introduction of Fordism/Americanism in the Yugoslavia of the 1930s I will leave for another occasion.

In my framing of this problematic, I rely on Stipe Grgas’s recent work, in which he argues for “the epochal significance of the collapse of the socialist world—or, put otherwise, the restoration of capitalism”—for “the emer-

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3 In a related context, Archer and Musić speak of “the [Yugoslav socialist] factory as the centre of one’s social universe.”

4 For an elaboration of the argument about the political and ideological centrality of labor in Yugoslav socialism, see Woodward 1995 and, related to Borovo more specifically, Cvek et al.

gence of the contemporary moment.” This collapse, Grgas maintains, took place within a historical conjuncture defined by the “command of money,” or, under the pressures of a financialized capitalism. Following Panitch and Gindin, Grgas maintains that the United States today is uniquely positioned to “oversee” and benefit from the global movement of finance capital. If the appropriation of Fordism also meant domesticating a kind of Americanism, the arrival of “post-socialism,” as the restoration of capitalism in the former socialist world is euphemistically termed, testifies both to changing “American priorities” and the actual limits of the kind of productivism that appeared as *the* socialist model of development. What follows is based to a large extent on an archival study of the Borovo (originally Bata-Borovo) industrial system, one of Yugoslavia’s “socialist mastodons,” to reuse a popular phrase. My primary source is the weekly newspaper published by the Borovo company from 1932 to 1991. The paper makes for immensely interesting reading, as it covers a vast range of topics, from business and technology issues to the everyday life of Borovo employees (primarily in Vukovar, but also elsewhere). When dealing with the situation in Borovo in 1990 and 1991—a turbulent time of economic and social transformation and crisis—I also consulted the report on the industrial restructuring of Yugoslavia published by the World Bank in 1991 quoted above. These two sources are strikingly complementary: one is a technical, somewhat abstract account of global flows of capital with recommendations for ongoing economic reform in Yugoslavia; the other, a host of detailed accounts of the lived experience of the reform and the related crisis, as documented in the weekly of a socialist company that has to accept the inevitable. This clash testifies to an actual encounter: Borovo is one of the Yugoslav enterprises analyzed in the report, as it was destined for restructuring according to World Bank (or market) rules. At the same time, the difficult move towards the market can be reconstructed on an almost day-to-day basis from the descriptions of factory life in the company newspaper. This complementarity allows us to trace the workings of the real abstraction of capital, as these played out in this particular time and place.

As already mentioned, I intend to give a more detailed account of the

founding of the Fordist shoe factory near Vukovar, and the arrival of Fordism to Yugoslavia, elsewhere. For now, let it suffice to say that the factory and its industrial village were founded in 1931, and subsequently developed according to the Ford-inspired principles of the Czech businessman Tomaš Bata (1876-1932). Bata's arrival, with his "brutal business aggressiveness of the modern American kind" (Hrelja and Kaminski 9) testifies to the U.S. presence—or "Americanism" in Gramsci's sense—in Europe in a moment defined by an earlier mutation of capital, one which would set the direction for socialist Yugoslavia's industrial development. The reference to Gramsci's *Americanism and Fordism* (1934) should also remind us that the arrival of Fordism in Europe was viewed by European socialists with an ambivalence that ascribed to Americanism a socially progressive modernizing potential. A brief passage from a 1935 issue of *Saradnik* (*The Associate*), the journal of "Bata's organized workers," can serve as a brief illustration of this point:

We are aware of the consequences of industrialization: from the destruction of crafts, proletarianization, to the incorporation of the raw workforce from the countryside; we also know that the expansion of industry in a rudimentary agrarian country (such as ours) always has the character of colonial exploitation. ... We must not join those who exhort a Bata, foreign capital, and foreigners, those who advocate feudal, guild-like production, and fantasize about the good old days. Our path is different. ... We do not want quixotic fights against machinery and industry. We want the accumulation of forces through our union organizations. We want to act as a single force: for a shorter work day, higher wages, social security, and civil rights, for better working and living conditions. ("Mi i Bata" 3)

The fact that these words were published in a paper run by a Bata factory worker and union activist, Josip Cazi, who would later become a minister in the communist Yugoslav government, points to the existence of historical continuities between the capitalist Fordist enterprise and the socialist development that followed after 1945.

The integrated industrial-residential complex of Bata-Borovo rep-

resents one of the most complete instances of Fordist planning of work and life in our country. Throughout its existence, Borovo was one of the backbones of the regional economy, as well as the engine of its modernization and industrialization (at the end of the 1980s, the factory employed over 20,000 people). The factory was often, and for good reasons, called “little Yugoslavia” (“Jugoslavija u malom”), a fitting description not only because of its multiethnic workforce and country-wide presence, but also because its development and decline reflected closely the development and decline of the Yugoslav socialist project, itself very much based on the process of rapid industrialization and urbanization after the Second World War.

The phrase “socialist mastodon” deserves a moment of reflection. This zoological metaphor is a topos of late-socialist discourse on economic reform and was quite common at the end of the 1980s, when Yugoslav industry was being systematically devalued. The Borovo weekly often quotes it critically. Indeed, the reference to “an extinct elephant-like mammal” seems like a perfect choice for a time when the restoration of capitalism appeared as natural as the process of evolution. A different, yet similar metaphor was at the same time used by the institution that was closely watching, as well as participating in the extinction of socialism. Here I have in mind the phrase “industrial maturity,” which the World Bank uses in 1991 to describe Yugoslavia’s contemporary development. Unsurprisingly, when considering Yugoslavia’s other major creditor, we find a similar biologism at work. In an IMF working paper on deindustrialization, we read the following: “Deindustrialization is not a negative phenomenon, but a natural consequence of further growth in advanced economies” (Rowthorn and Ramaswamy). The organic imagery and the economic teleology of these pronouncements suggest a historical (or, perhaps, ahistorical) inevitability akin to the cycle of life. At the same time, ironically, it is precisely life that loses in such framing of social relations, as it is relegated to the status of dead organic matter. Another organic metaphor that the World Bank report insistently uses adds to this impression: “shedding of surplus labor” (shedding, as in the shedding of dead skin or hair). In the rest of this paper, I would like to focus on the position of Yugoslav labor during

this critical period of our transition to capitalism.<sup>5</sup>

But first, a brief reminder: Throughout the 1980s, Yugoslavia was servicing its debt to the IMF and the World Bank and implementing a series of reforms in order to meet the requirements of its creditors. These reforms were variously known as “stabilization program,” “restructuring measures,” etc. They were not implemented evenly nor without resistance and many internal negotiations. However, their overall direction and outcome was quite clear: in a nutshell, the country’s economy was progressively being transformed from a socialist to a capitalist one. This process intensified during the years of austerity measures and, later, shock therapy, from 1988 and ’89 onwards. In 1990, the strict policy of monetary restriction (meaning no credit at all for enterprises), was combined with new regulations meant to “deregulate” the economy, resulting in a wave of bankruptcies and liquidations and in mass unemployment.

In its 1991 report, the World Bank recognized the fact that the shock therapy was affecting the economy indiscriminately: “Many potentially viable enterprises are currently in a crisis situation due to losses and illiquidity.” It also recognized that this was due, among other factors, to “slumping domestic demand for consumer goods and particularly capital goods [goods used in production of goods and services] as a result of the stabilization program.” In other words, the reforms (“stabilization,” “restructuring”) had devastating consequences even for the “viable” parts of the Yugoslav industry. In 1990, industrial production declined by 11% due to these measures. In the summer of that year, the Slovenian economist Aleksander Bajt estimated that the decline would reach 38% if the trend continued the following year and that it would result in another “one million layoffs” (Jakovljević 29). This was actually quite close to the World Bank estimates, which found that the “loss-making enterprises” employed, and consequently needed to “shed”

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5 Before continuing, let me say here that I do not subscribe to those explanations of the disintegration of Yugoslavia that put exclusive blame on “the West,” primarily the IMF and the World Bank. However, it is on this aspect that I want to focus here, bracketing for the moment the internal dynamics of the country’s break up.



“1.2 million workers,” or “about 20% of the total work force” (12). The World Bank also recognizes that one way of saving the viable enterprises would be through government bail-outs. This was discouraged, however, since it would “compromise the financial sector reform as well as the stabilization program.” In order for the financial sector reform to remain uncompromised, financial assistance to enterprises,

either in the form of debt relief or Government contributions, should be given only after certain preconditions are met, including (a) the preparation, by the enterprise, of a restructuring plan demonstrating long-term viability; (b) the shedding, by the enterprise, of surplus labor; (c) ownership reform, including privatization; and (d) the implementation of relevant price reforms by the Government. (World Bank xi)

So the priorities were clear: they were in the “financial sector”; the projected collateral damage was also explicitly named: it was dubbed “surplus labor.”<sup>6</sup> Given such priorities, it is interesting that the report dedicates a disproportionate amount of space to the problem of labor. In short, this is because the existing position of labor (together with its repercussions for the expected transformation of property relations) is understood here as an obstacle to a successful transition to capitalism.

The real-life consequences of the reform measures are readily observed even in a superficial look at contemporary sources. In Borovo, the credit restrictions led to an acute lack of work and the inability of the company to provide regular pay for its workers. Nevertheless, since “the reform has no alternative,” as the Yugoslav president announced in 1989, restructuring con-

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<sup>6</sup> In the context of this description of consolidation of capitalist relations, it is worth repeating Prabhat Patnaik’s question, “why do the governments of metropolitan capitalist economies choose inflation control as an objective over higher employment?”, as well as his answer: “inflation control is essential for the stability of the wealth-holding medium [money], and hence for the stability of capitalism; if in the process of achieving price-stability, much higher levels of unemployment are generated, then they simply have to be accepted and imposed upon the working class” (cf. Patnaik).

tinued. After difficult negotiations, in early 1991 an official estimate of workforce redundancy was finally reached: 5,600 people. Out of a total of about 23,000, that was quite close to the 20% of “surplus labor” that needed to be “shed” in Yugoslav enterprises according to the World Bank. In the Spring of 1991, the Borovo management hired experts from Coopers & Lybrand Deloitte, a multinational firm offering “professional services,” to help with restructuring. The weekly reported that the restructuring program for Borovo “especially emphasizes” “the need for an increase in labor productivity and eliminating surplus labor,” as well as “better organization, including authority, responsibility, and incentive.”<sup>7</sup>

The tragic events in Vukovar in the spring and summer of 1991 cut short much more than the company’s plans. Still, the situation in which we find the workers of Vukovar on the eve of war is well worth sketching out, since it serves as a reminder that, in the midst of contemporary official celebrations of the market, the reality of the new capitalist rules of the game was acutely felt in the sphere of work. Since austerity measures made access to raw materials and credit impossible and Yugoslavia was declared a high risk country for investment, Borovo had problems finding any business. About 15,000 people were put on furlough at the end of 1990. In the Spring of 1991, bankruptcy proceedings began in Borovo, which meant immediate layoffs for all people employed in factories under receivership. By that time, salaries were already 3 or 4 months late, about 10,000 people in Borovo Naselje (one of Bata’s original “industrial villages”) were late on their rents, kindergartens were taking company-issued coupons instead of cash, and so on: the halt of production in Borovo was also becoming visible in the decaying public spaces and services—in short, the social infrastructure of the Fordist town was crumbling under the effects of austerity and restructuring.

In the workplace, the pressure for an increase in labor productivity, discipline, and responsibility—in line with the restructuring program—was acutely felt. A smaller part of the workers returned to their jobs in factories

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7 “Prestrukturiranje Borova”, *Borovo* 3170, April 12, 1991, 2.

under receivership (those undergoing bankruptcy proceedings). There, they were now under the absolute authority of the court-appointed receivers. One of these ad-hoc managers declared that bankruptcy was “an opportunity, for workers and managers, to get back to work free from bureaucratic restraints,” adding that “the workers have had enough of self-management, their rights, sick leave, and fake solidarity. They want work, someone to give them orders, and their pay.”<sup>8</sup> For a short while, one of the factories under receivership (Borovo’s machine factory) increased its productivity eight times. This increase was based solely on an intensified—or “Western,” as the factory newspaper called it—work rhythm. However, those lucky enough to be back to work were still receiving minimum wage. Under those conditions, the agony of the factory and its workers dragged on, now complicated and aggravated by the outbreak of armed conflicts in the Vukovar area.

Looking at the consequences of the reform measures, it is difficult not to conclude that one of its main functions was the disciplining of Yugoslav labor, its adaptation to new work rhythms and practices. Indeed, it seems rather obvious that the bulk of the social burden of the finance-centered process of stabilization and restructuring was carried by labor. It was labor—as the most likely and numerous owner of social property, and at that time still the nominal subject of self-management—that represented the main obstacle to the reforms that were underway. In conclusion, I would like to add that the purpose of looking at this critical juncture in the history of our present moment is not some nostalgia for Fordism or industrial labor. Rather, it is an attempt at discerning continuities where we are used to seeing exclusively catastrophic breaks with the past. Even when taking into account the difficulties in which the workerist Yugoslavia found itself in the 1980s, we see that its deindustrialization cannot be thought of as merely a playing out of quasi-natural, ahistorical mechanics of economic evolution, but that these were bound up with social struggles.

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8 “POLI – Stečaj izmjenio sliku”, *Borovo* 3176, June 21, 1991, 1, 2.

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