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## The Making of a New Economic Elite in Serbia

**Abstract.** This essay presents analyses of new research data about the economic elite in Serbia: its constitution, main characteristics, and the changes affecting it under the conditions of systemic social transformation. The general analytical framework of this special issue is presented; the essay's central part offers a brief analysis of the process of sociohistorical change in Serbia in the period from the late 1980s to the present, including the change of bases on which the new economically dominant group and other main social groups have been formed. This period may conditionally be divided into three stages, which do not have sharply defined lines of division: the breakdown of the socialist order (1988-90), followed by a phase of blocked transformation (1991-2000), yielding ultimately to the gradual 'normalization' of the functioning of a (semi-)peripheral capitalist order (2000 to present).

### Prologue

The contributions to this special issue of *Südosteuropa* are dedicated to illuminating the process that formed the economically dominant stratum of the new capitalist class that emerged during the protracted postsocialist transformation in Serbia. What makes this issue distinct is not only the unified specific goal but also the common 'means' employed of understanding this phenomenon: analyses of the economic elite's changing recruitment patterns, its constantly improving economic position, and its diversified political and value orientations are all based on the same set of surveys, undertaken throughout the entire period of Serbia's systemic transformation (1989-2012). Further on in the process, each of the authors necessarily implemented the common theoretical-hypothetical framework on which these surveys were founded, bearing in mind that their theoretical perspective, concepts, and terminology had been determined in advance by one author. Such an approach has certain disadvantages, most importantly that there is little room for individual interpretative variations: the focus of the studies on one social stratum and its relations to other strata, the list of 'basic aspects', the structural

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framework of the analyses, etc., were predetermined for all authors, unavoidably influencing their conclusions. The advantages are, however, clear: readers get a 'holistic' insight into one of the key elements of postsocialist transformation, albeit through a selected perspective.

Our chosen analytical approach also has some formal consequences: it dictated how the papers were organized. The introductory text presents the shared theoretical-historical and methodological framework. Elements of analyses 'complementary' to the central topic of each paper, for example the political aspects present within economic considerations, or vice versa, are omitted as a rule, as such information can be found in the contribution on that topic. In addition, the unified theoretical framework is the reason for the prevalence of citations from the same sources in all the papers. All in all, the papers in this special issue are interconnected methodologically to a high degree, and readers of one paper will repeatedly be referred to another essay to get the full picture.

### **Preconditions for the Emergence of the New Economic Elite in Serbia**

The lengthy transformation of the social order in Serbia—from socialism to capitalism—has already lasted a quarter century.<sup>1</sup> Strongly marked (compared with most other postsocialist European countries) by specific features stemming from a process of 'blocked transformation', Serbia has, in recent years, arrived at a state of social relations whose dominant form in the economic sphere may be 'ideally-typically' defined as capital production.<sup>2</sup> At the same time, in the political sphere, there are now competitive, free, and relatively fair elections, and the capitalist ideological hegemony, i.e., the production of capital as the state perceived to be 'natural' and therefore desirable, has been maintained in the cultural subsystem within (limited) pluralist frameworks. Closest to these ideal-typical models are orders at the centre of the capitalist world, in the most developed states of the West, while elsewhere, as in Serbia, primary talk concerns the economic subsystems' efforts to secure the production and expanded reproduction of capital, primarily that from the states' centres. Other subsystems

<sup>1</sup> All papers in this special issue were written under the aegis of the project Challenges of New Social Integration in Serbia: Concepts and Actors (No. 179035), funded by the Ministry of Education, Science and Technological Development of the Republic of Serbia. Earlier versions of the papers (in addition to several other papers) were published in Mladen Lazić, ed, *Ekonomska elita u Srbiji u periodu konsolidacije kapitalističkog poretka*, Belgrade 2014.

<sup>2</sup> Mladen Lazić, *Čekajući kapitalizam. Nastanak novih klasnih odnosa u Srbiji*, Belgrade 2011. All theoretical presuppositions upon which this text and other papers in the special issue are founded, and their empirical verification in the period 1989-2010, are elaborated in this book. See also Mladen Lazić, *Post-Socialist Transformation in Serbia. Changing Recruitment Patterns of Economic Elite*, in: David Lane / György Lengyel / Jochen Tholen, eds, *Restructuring of the Economic Elites after State Socialism*, Stuttgart 2007, 115-126.

are susceptible to varying departures from central patterns, but within the limits set by the primary objective, imposed on this social form by the economy.

Social relations in Serbia, as a part of the Socialist Federal Republic of Yugoslavia (SFRY), substantially departed from the ideal-typical patterns of the socialist command order and, what is more, did so in each of its social sub-systems, which were only conditionally separable from one another. In the economy a quasi-market form (the 'socialist market economy') was established that gave limited autonomy to enterprises, contained elements of co-decision-making from employees ('self-management'), and allowed private ownership on a small scale in agriculture and services. Still, economic and overall social reproduction remained firmly under the rule of a formally unified, collective-owner *nomenklatura*. In politics, territorial decentralization, especially after the death of Josip Broz Tito in May 1980, led to an open competition for power among different factions of this *nomenklatura* with centralistic or republican inclinations.<sup>3</sup> The given systemic frameworks, however, where liberal-democratic rules of the game did not exist, made this struggle a zero-sum conflict, wherein the winner took all for an indefinite period of time, while the losers' positions, and occasionally even existence, were endangered. Cultural relations were characterized by a significant degree of tolerance towards critical examination of 'deformations' in the order, as well as towards the circulation of ideas from the West, but such relative openness did not, however, infringe upon the bases of the system: its socialist nature, the heritage of the People's Liberation Struggle (*Narodnooslobodilačka borba*, NOB), and the person of Josip Broz.<sup>4</sup>

The specifics of Yugoslav socialism largely determined the course of its accelerated disintegration. In the late 1980s, it appeared that market experiences, even if only of a 'quasi' nature, especially in view of the already developed commodity exchange with firms from Western countries and the experience of hundreds of thousands of 'guest workers' who worked in these countries, would enable an unobstructed transfer to capitalism. For example, the law on privatization, which in principle opened wide the doors to the development of a market economy, had already been adopted by the 'reform government' of Ante Marković in the late 1980s. However, especially in Serbia, the institutional and ideological framework of self-management helped make the transformation to a market economy unfold slowly and, moreover, caused the group that had ruled the country to exert the largest influence. Undefined 'social property', namely, facilitated the conversion of enterprises into privately owned concerns granted to members of the *nomenklatura* for minimal (if any) compensation for a long period of time<sup>5</sup>; as for the employees of privatized firms, ideological illu-

<sup>3</sup> The conflict already existed in a concealed form during Broz's lifetime, reaching its first climax in the 1970s, but found its unquestionable arbiter in his undisputable personal authority.

<sup>4</sup> For more details see Lazić, Čekajući kapitalizam.

<sup>5</sup> Cf. my paper on the recruitment of the economic elite in this issue.

sions about their own ownership rights often created obstacles that prevented the transition to market rules of operation. These factors, in addition to the economic collapse of the country, its international isolation, and the devastating wars of the 1990s, are among the reasons why privatization in Serbia has not been completed to this day, and the state still controls a substantial number of large firms, most of which perform inefficiently in the market.<sup>6</sup> Political conflicts within the *nomenklatura* resulted in a violent disintegration of the Yugoslav state and a civil war. Ideological 'tolerance' controlled from above favoured an early upsurge of nationalism, stimulated from the top, which not only laid the cultural and socio-psychological matrix for the ethnicization of the 1990s wars, but also served as a screen for the groups in power to seize control of the bulk of economic and political resources.

Focusing only on Serbia, the initial conditions for its capitalist transformation can be summarized as follows. First, precisely due to the specific Yugoslav characteristics mentioned above—and including also a higher standard of living in comparison with its Eastern European neighbours—Serbia's socialist order still maintained its legitimacy in the late 1980s, especially among members of the lower social strata.<sup>7</sup> That is sufficiently evinced by the simple fact that Slobodan Milošević, at that time, based his highly successful mass mobilization on the coupling of socialist and nationalist ideological elements<sup>8</sup> and, having accordingly renamed his party the Socialist Party of Serbia (*Socijalistička partija Srbije*, SPS), led it to victory in the country's first so-called multiparty elections, held in late 1990. Linking the specific Yugoslav socialist ideology with the nationalist one, and increasingly inflaming interethnic conflicts, the *nomenklatura* could present the issue of statehood, rather than that of systemic change, as the crucial current problem.<sup>9</sup> If the issue of the state was central, and the 'domestic' variant of socialism desirable and thus legitimate, the systemic transformation could be cast, at least at that moment, as a second-tier problem that had, moreover, a partially 'reformist' nature. That is why it was possible to present, as the most suitable agent to carry out the transformation, a group which had already been legitimized, on the one hand, as having been reform-oriented during socialism and, on the other, as being protective of national interests. It consisted of those then in power, headed by Milošević. This logic of 'continuity' appeared particularly convincing in a situation of civil wars and perceived wider external

<sup>6</sup> Milica Uvalic, *Serbia's Transition. Towards a Better Future*, Houndmills, Basingstoke 2010.

<sup>7</sup> Cf. the paper by Jelena Pešić on value changes of the economic elite in this issue.

<sup>8</sup> Veljko Vujacic, *Institutional Origins of Contemporary Serbian Nationalism*, *East European Constitutional Review* 5, No. 4 (1996), 51-61; Eric Gordy, *Kultura vlasti u Srbiji. Nacionalizam i razaranje alternative*, Belgrade 2001.

<sup>9</sup> In this respect the beginning of systemic changes in Serbia differed from that in Croatia, for example, where socialism was ideologically presented as a 'Serbian project' with reliance on the Soviet Union, while the state issue was understood as essentially linked with anticommunism, i.e., with the capitalist transformation according to a Western model.

dangers, such as the hostile relations of Western powers towards Serbia, when every change in the head of state could be interpreted as promoting an utterly uncertain adventurism.

Therefore, due to the processes described above—contrary to other Eastern European countries and even other successor-states of the SFRY—the main actor involved in the systemic transformation in Serbia during the last decade of the twentieth century was the group that had until then ruled the country. This group experienced its transformation in parallel with the changes in the order it carried out and supervised itself during the process of ‘adaptive reconstruction’.<sup>10</sup> This ‘*nomenklatura* in transformation’ inherited a firmly organized hierarchy, with Milošević at its head; control over the largest, most important economic resources; administration of consolidated state apparatuses; and domination in the formulation of the system’s legitimacy through its supervision of the media. In other words, changes in Serbia during the 1990s represented a kind of a ‘revolution from above’, controlled by the ruling group, in contrast to other European countries where the systemic transformation was initiated from below, primarily by the rebellion of middle strata.<sup>11</sup> Of course, revolutions from above are not historically exceptional, the most important modern example being that of China.

The slow pace of this revolution in Serbia, which in reality amounted to a ‘blocked transformation’, may be summarized as follows. It represented a process that initiated fundamental systemic changes such as the abolition of the planned economy as well as political and cultural ‘monism’ and the establishment of a market economy with legitimate private ownership and at least a formal presence of political and cultural pluralism. These initial changes were necessary to enable the mass conversion of public economic resources into the private ownership of *nomenklatura* members. Naturally, they were also necessary, at least formally, to bring the order closer to the externally imposed, unstoppable global surge to destroy socialism. However, immediately after the first wave, comprising the legalization and legitimation of private ownership and the introduction of a multiparty political system, the changes were frozen, in order to carry out the above-mentioned conversion based on the control that had thus been preserved over economic and political resources.<sup>12</sup>

As for the economic subsystem, the plummeting of the national income was the most conspicuous consequence of the continued power of members of the

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<sup>10</sup> Cf. Mladen Lazić, Serbia. The Adaptive Reconstruction of Elites, in: John Higley / György Lengyel, eds, *Elites after State Socialism*, Lanham/MD 2000, 123-140.

<sup>11</sup> Ivan T. Berend, *Central and Eastern Europe. Detour from the Periphery to the Periphery 1944-1993*, Cambridge 1996. On the central role of the middle class in bringing down the Milošević regime, especially during the three months of mass civil protests in Belgrade in 1996-97, cf. Mladen Lazić, ed, *Protest in Belgrade. Winter of Discontent*, Budapest, New York 1999.

<sup>12</sup> For more details see Lazić, Serbia. The Adaptive Reconstruction of Elites.

old regime's *nomenklatura* and their unabated economic and cultural domination. Compared with slightly over 5,000 USD per capita in 1990, Serbia's GDP dropped to some 2,000 USD in 1995, and went no higher than 4,000 USD in 2010.<sup>13</sup> Next, the (intentional) blocking of transformation markedly slowed the privatization of public assets to ensure greater success of conversions that would benefit *nomenklatura* members. Thus, after a relatively rapid start to privatization, the law passed in 1994 not only stopped this process but practically brought it back to square one. As a result (accounting for the insignificant effects of another law, passed in 1997), by 2001 state ownership accounted for 42.67%, and 'social' ownership for another 33.80%, of capital in Serbia.<sup>14</sup> Still more far-reaching consequences for the country's economy ensued from the failure to restructure the enterprises which remained in public ownership. Without investment capital (domestic or foreign), and with obsolete technology, a huge surplus in the labour force, non-competitive products, and politically imposed managements, these enterprises, when Serbia's international isolation came to an end after 2000, joined the market competition. Their inevitable huge losses were covered by state subsidies and were often secured on the basis of minimal and frequently decreasing wages, increasing taxes, and foreign indebtedness. In this way, economic growth was slowed or prevented altogether. Finally, the internally blocked capitalist transformation, buttressed by external sanctions and manifested in the inability of the Serbian economy to join the advancing globalization process, led to autarkization, thus establishing a vicious circle of economic and social regression.

In the political subsystem, as already mentioned, the main effect of the blocked capitalist transformation was the conspicuous inequality of conditions for political competition: the ruling party (the SPS, with occasional coalition partners) used the state apparatus, public economic resources, its control over most media, and even direct manipulation with voters' registries and vote counts to secure electoral victory. Thus it would be only a qualified statement to say that a liberal-democratic (parliamentary) system of power was established in Serbia in the 1990s. Various authors have diversely defined the nature of this political order using terms such as autocracy, despotism, personal power, and electoral authoritarianism.<sup>15</sup> In (pre)war conditions the tool easiest to employ against one's political opponents was to proclaim them enemies of the state, traitors

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<sup>13</sup> Serbian GDP per capita, *tradingeconomics.com*, <http://www.tradingeconomics.com/serbia/gdp-per-capita>. All internet references were accessed on 29 September 2015. See also Uvalic, *Serbia's Transition*.

<sup>14</sup> *Socijalno-ekonomski savet Republike Srbije, Efekti privatizacije u Srbiji*, Belgrade 2001, 13, <http://www.socijalnoekonomskisavet.rs/doc/efektiprivatizacijeusr.pdf>.

<sup>15</sup> Dušan Pavlović / Slobodan Antičić, eds, *Konsolidacija demokratskih ustanova u Srbiji posle 2000. godine*, Belgrade 2007; Dušan Pavlović, ed, *Konsolidacija demokratskih ustanova u Srbiji – godinu dana posle*, Belgrade 2008.

to the nation, foreign servants, etc. In a country without democratic traditions and a long use of the above-mentioned (dis)qualifications, the understanding of political opponents as enemies was in this way reinforced on a more lasting basis and was sustained even after the wars were over. When a competitive political contest is presented as a struggle against enemies, such a perceived conflict justifies the use of any means necessary: fair electoral competition is a priori precluded. In this way the liberal-democratic political order in Serbia was, from the very beginning, derogated, and it has failed to consolidate fifteen years after the collapse of Milošević's power.

The consequences of the blocked transformation in the social sphere have already been extensively addressed and there is no need to elaborate them here.<sup>16</sup> As already mentioned, the country's economic collapse brought about mass impoverishment and an absolute drop in the standard of living of all social groups except the narrow band of the political-economic elite. The collapse also both preserved and changed certain relative relations. The middle strata retained a higher standard than did the lower, while farmers improved their relative position in relation to manual workers, for example. Thus social differentiation increased in comparison with the status quo during socialism, as in other postsocialist countries, with growing poverty and a substantially lower ability of the state apparatuses to provide for the growing basic needs—food, housing, health, education—of an increasingly widening circle of the population. The deterioration of living conditions and the impossibility of articulating the ever more sharply opposed interests in the political subsystem due to the nonexistence of parties to advocate for the interests of the lower strata, as well as the weakness of trade union organizations, were 'accompanied' by appropriate characteristics of value orientations of the majority of the population. Research has repeatedly confirmed that, along with a high level of traditionalism of patriarchal provenance and authoritarianism, which was the mobilizing basis for Milošević's ascent to power, during the 1990s and even afterwards a relatively widespread albeit slowly decreasing nationalism was sustained, primarily among the population's lower social strata, who favoured the preservation of the existing power structure and later acted as a linchpin for the electoral successes of the Serbian Radical Party (*Srpska Radikalna Stranka*, SRS).<sup>17</sup> And it is precisely in more recent times that the first two factors have revealed themselves as fundamental, while the third one is 'instrumental'. The Serbian Progressive Party (*Srpska Napredna Stranka*, SNS) drastically blunted the edge of the nationalist rhetoric in the 2014 elections but could do so without

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<sup>16</sup> Mladen Lazić/Slobodan Cvejić, Stratification Changes in Serbian Society, in: Anđelka Milić, ed, *Transformation and Strategies*, Belgrade 2005, 35-59. Cf. also the paper by Željka Manić and Anđelka Mirkov on the economic position of the economic elite in this issue.

<sup>17</sup> Cf. the paper by Jelena Pešić on value orientations of the economic elite in this issue.

affecting voter mobilization, because the 'principle of the leader' was primary for the bulk of the country's population: if such leader proclaims that at this particular moment nationalism endangers the interests of Serbia, the voters will accept unquestioningly that assertion. Finally, the social consequence of greatest interest resulting from the blocked transformation is the above-mentioned cadre reconstruction of the ruling group, and primarily its economic part.

### **From *Nomenklatura* to Economic Elite, and Towards a Capitalist Class**

Theoretically and empirically, almost the entire process of transformation in Serbia of members of the erstwhile socialist ruling class (*nomenklatura*) into a new emergent capitalist class through 2000 has already been analysed in detail.<sup>18</sup> In a nutshell, the breakdown of the socialist order abolished the *monopoly* over the *entire* reproduction of society possessed by the unified hierarchy of the ruling group, within which one could only conditionally distinguish command over otherwise undifferentiated organizational-political, economic, and cultural resources held by the politocratic and technocratic strata of that class. Separation of (bourgeois) society, i.e., the economy, from the state, characteristic of capitalism, also meant the establishment of relative autonomy of the two strata which then, instead of a monopoly, wielded, in principle each for itself, dominant control over these resources, obtained in different ways: by the electoral contest in the political subsystem and accumulation of capital in the economic subsystem.

Nevertheless, other essential differences must be emphasized among the ways that positions, reproduction, and also the life conditions of the *nomenklatura* and the new economically and politically dominant social groups are constituted. First, during socialism a position within the *nomenklatura* was, as a rule, reached through career ascent: it was an appointment granted by members of the ruling class who occupied still higher positions. Recruitment occurred from all social strata, and was both intergenerational and intragenerational. In contrast, in the capitalist order, family inheritance of ownership and therefore also of positions is a rule duly legalized and legitimized. To be sure, this does not exclude ascent from other strata, primarily the middle, although in that case such an ascent would be the result of success in market competition, rather than appointment. Second, in socialism all positions within the *nomenklatura*, except for the very top position, were non-autonomous, depending on individuals and collectivities further up in the hierarchy, as opposed to capitalist private ownership, which is legally protected from seizure by others. Third, previously the privileged position of the *nomenklatura* members had been based on control over organi-

<sup>18</sup> Lazić, Čekajući kapitalizam, especially 161-201. Cf. also Lazić, Serbia. The Adaptive Reconstruction of Elites.

zational, economic, and cultural resources, depended exclusively on the active performance of functionaries, and consisted of a series of privileges, which in principle worked without the possibility of intergenerational transfer.<sup>19</sup> Capitalist private ownership, on the other hand, disposes of the personal free will of the title-holder. Partly because of that, and partly because of the egalitarian values with which the socialist system was legitimized, the degree of inequality among members of the ruling class and other social groups, especially manual workers, was substantially less than the typical differences in (modern) capitalist societies.<sup>20</sup> All these 'advantages' of private ownership over the collective privileges of the *nomenklatura* account for why, when the socialist state was in deep crisis, many of its members did not try to preserve this order but actively joined groups, as a rule comprising members of the middle strata, which sought to topple it, seeking to benefit from the period of 'soft legal order' and ideological confusion, i.e., the destruction of the old normative system and the phase when a successor system had not yet been constructed. It was a characteristic of the 'age of revolution' that its protagonists made use of their hitherto privileged positions to convert them into means for private ownership.

It is important to stress that this conversion represents one of the forms of so-called 'primitive accumulation of capital' characteristic of postsocialist transformation. Such primitive accumulation can occur in different ways: the transformation of feudal holdings as well as of village or communal land ('enclosure') into land capital; the growth of artisan workshops into factories; usury and the expansion of trade activities; plunder; and state support, to mention a few.<sup>21</sup> Characteristic of postsocialist transformation is the fact that accumulation was carried out before the appearance of capitalists,<sup>22</sup> i.e., that previously accumulated public ownership, managed collectively by the ruling group, had been redistributed in different ways to private persons or firms. In all Eastern and Central European countries previous positions in the erstwhile *nomenklatura* played an important role in the process of redistribution. Such redistribution enabled the incumbents to have privileged access as privatization was instituted, which, among the various countries, resulted in former

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<sup>19</sup> An exception was the tenancy right which was transferable to one's children.

<sup>20</sup> Cf. the paper by Manić and Mirkov on the economic position of the economic elite elsewhere in this issue.

<sup>21</sup> For the 'classical' forms see Fernand Braudel, *Materijalna civilizacija, ekonomija i kapitalizam od XV do XVIII stoljeća*, vol. 1-3, Zagreb 1992. For the state-supported ascent of large 'political entrepreneurs' in the USA in the late nineteenth and early twentieth centuries, see Burton W. Folsom, *Entrepreneurs vs. the State. A New Look at the Rise of Big Business in America, 1840-1920*, Herndon/VA 1987.

<sup>22</sup> Gil Eyal / Iván Széleányi / Eleanor Townsley, *Making Capitalism Without Capitalists. Class Formation and Elite Struggles in Post-Communist Central Europe*, London 2001.

*nomenklatura* members accounting for between one-quarter and one-third of new owners during the early 1990s.<sup>23</sup>

In this respect Serbia, along with Russia to a somewhat lesser extent, stands out. At approximately the same time, among the circle of Serbian private owners of larger firms, as many as two-thirds of them were former political or economic 'leaders', if we include members of their families, among other affiliations.<sup>24</sup> It is true, though, that in Serbia the ranks of these (new) private owners of large capital also comprised individuals from other social strata, primarily from the middle. However, due to the violent disintegration of Yugoslavia, many of these individuals who intended to accumulate capital in Serbia behaved in lawless fashion. Such lawlessness is characteristic of a dramatic manifestation of social anomie marked by the combined effects of the disintegration of the old social order (including the legal order), war-induced institutional and moral chaos, and international isolation. The latter meant the absence of any external supervision over the political and economic process of systemic transformation as well as economic sanctions, which made illegal trade inevitable and also extremely profitable. I have referred to the group which in Serbia made successful use of anomie for the accumulation of private wealth by illegal means as 'wartime entrepreneurs'; the size of this group is impossible to assess reliably.<sup>25</sup>

In brief, in the first period of postsocialist transformation in Serbia, the creation of the new economic elite took place with the participation of three subgroups: erstwhile members of the *nomenklatura*, who formed the majority, 'wartime entrepreneurs', and people from middle strata—professionals who ascended, in particular lower-level managers and successful small- and medium-sized entrepreneurs of different (and even lower) social origins.<sup>26</sup> This nascent elite group did not yet possess the bases for the reproduction of a new system of social relations, as it still lacked the structural features 'formatting' it as a class. To be sure, it did control economic resources in a new way, yet did so without these ways being yet defined in a legalized or legitimized manner. The characteristics of this group and the process of its formation are at the core of this special issue.

The economy during the 'blocked transformation' was thus caught between the previous command regime and the persisting state control of the majority of enterprises on the one side, and the new market regulation resulting from the legalization of private capital on the other. This situation, among other things, meant that its rules of operation substantially differed from those of

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<sup>23</sup> Iván Szelényi / Szonja Szelényi, Circulation or Reproduction of Elites during the Post-communist Transformation of Eastern Europe, *Theory and Society* 24, No. 5 (1995), 615-638.

<sup>24</sup> Mladen Lazić, Transformation of the Economic Elite, in: Mladen Lazić, ed, *Society in Crisis*, Belgrade 1995, 139.

<sup>25</sup> Lazić, Transformation of the Economic Elite, 137.

<sup>26</sup> For empirical data cf. Lazić, Transformation of the Economic Elite.

a typical market economy, and that successful accumulation thus necessitated special skills characteristic of 'political' rather than market entrepreneurship. Some researchers in Serbia, echoing Max Weber's idea, have thus named this particular social form 'political capitalism'.<sup>27</sup>

As of the end of 1995, after the signing of the Dayton Agreement which ended the war in Bosnia and Herzegovina, the systemic circumstances began to change more rapidly. The war's end, together with an (initially partial) abolition of sanctions, substantially limited the illegal channels for the accumulation of capital, and Serbia's opening to international trade helped strengthen the nation's legal order. Furthermore, former *nomenklatura* members with private-entrepreneurial orientations had, by that time, completed their part of primitive accumulation. Like the group which had obtained capital through successful market operations, they wanted to institutionally entrench their ownership. Therefore, the years between 1996 and 2000 represent the next stage in the constitution of a new order. Now the discord of interests between the group controlling the state, i.e., the political elite around Milošević, and the new economic elite started to intensify and become visibly conspicuous. In addition, the composition of the economic elite began to change, due to the ever-stronger workings of market conditions. The influx of new members from the ranks of the *nomenklatura* and especially the 'wartime entrepreneurs' slowed, while the number of ascendants from the middle-strata professionals and medium- and small-scale entrepreneurs increased. This consolidatory formative process was additionally influenced by a remarkable improvement in the economic position of its members, in both relative and absolute terms. The gap in the way of life of this and all other social groups, including the middle class, increased, which favoured the formation of a specific way of life for the economic elite. At the same time, its ideological homogenization was fostered by the strengthening legitimacy of the capitalist order.<sup>28</sup> This group was still insufficiently consolidated and too weak to confront the state, but its interests increasingly aligned it with opposition political parties and led it to attempt to find mass support in the growing dissatisfaction of the middle strata.

The military collapse of the country after NATO's bombing campaign in 1999 finally weakened Milošević's regime to such an extent that a political alliance of the above-mentioned forces could be effectively forged among the opposition parties, now finally united, who were financially supported by the new economic elite, by the West, and by the widely mobilized members of the middle strata. The toppling of Milošević's regime in October 2000 marked the beginning of the transition to the third stage of the constitution of the social

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<sup>27</sup> Mihail Arandarenko, Srbija devedesetih. Prvobitna akumulacija ili politički kapitalizam, *Srpska politička misao* 2, No. 4 (1995), 33-50.

<sup>28</sup> Cf. Lazić, Post-Socialist Transformation in Serbia; and corresponding essays in this issue.

group in control of Serbia's economic resources, the phase when it began to assume the characteristics of a genuine capitalist class. The new political powers in Serbia, which supported this transformation, had a clear general objective: the 'normalization' of the capitalist market economy. This goal encompassed subsidiary aims: the stabilization of the political subsystem through the introduction of fair political competition, the reinforcement of the legal system, the securing of institutional guarantees for regulating the market, and the inclusion of the Serbian society in international economic, political, legal, and cultural contexts. Obviously, all these objectives were mutually related and supported one another, and it is particularly important that the international ambitions—encouraged by the changed position of the West, which began to implement its 'strategy of inclusion' of Serbia—were actually what prompted the setting of criteria for internal changes.

These changes were unequally paced and took a winding course, with stand-stills and reversals. In sum, major progress was achieved in the stabilization of the liberal-democratic order in the political sphere during the first decade of the new millennium; regular (or somewhat accelerated) electoral cycles and a relatively fair electoral process resulted in changes in power with regard both to parties and to party coalitions.<sup>29</sup> Despite the survival of a fairly large public sector, the economy was transformed into a predominantly market system and was increasingly firmly incorporated into international regimes of import-export, finance, etc., especially in the banking sector. The latter is almost entirely in foreign ownership, its ups and downs following world trends especially since the 2008 global financial crisis.<sup>30</sup> This was facilitated by the gradual strengthening of the legal system, which guarantees ownership rights and contracts as fundamental assumptions underlying capitalist accumulation.

In the social sphere, the structural formation of the capitalist class continued. Its composition kept changing due to further reinforcement of its market recruitment and the removal of previous non-market (narrowly political or extra-legal) criteria, and even through the elimination of members previously recruited on these bases who were unable to compete in the market. Research findings indicate that during the new century's first fifteen years, the composition of Serbia's economic elite became increasingly similar to those in other former socialist countries.<sup>31</sup> Moreover, its value orientations came to substantially differ from those typical in the lower social strata: traditionalism, especially of the patriarchal type, has been reduced, while liberal political orientations have

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<sup>29</sup> Vladimir Goati, *Partijske borbe u Srbiji u postoktobarskom razdoblju*, Belgrade 2006; Zoran Slavujević, *Izborne kampanje. Pohod na birače. Slučaj Srbije od 1990. do 2007. godine*, Belgrade 2007. Cf. also the paper by Milica Vesković Anđelković on political orientations of the economic elite in this issue.

<sup>30</sup> Cf. Uvalić, *Serbia's Transition*.

<sup>31</sup> Cf. my paper on the recruitment of the economic elite in this issue.

increased. On the other hand, the formative character of the capitalist order was clearly manifested at this level in the fact that, with respect to economic liberalism, value orientations of the emerging capitalist class remained ambivalent: under conditions of serious economic crisis its members were inclined to let the important economic functions remain within the competence of the state.<sup>32</sup>

The postsocialist transformations did not follow a linear path, as Serbia poignantly shows. The world economic crisis that began in 2008 manifested itself in Serbia through a decrease in GDP, growing unemployment and poverty, the amassing of private (corporate, individual) and public debt, etc. The consequences of this crisis were inevitably transferred to the political sphere, and especially to areas where the state, in addition to having a regulatory function, still objectively has an overemphasized (for a market economy) direct economic role and bears—at least according to the typical expectations of the overwhelming majority of the population—a crucial responsibility for the economic welfare of its citizens, as indicated above. If the state is considered the main agent for the resolution of economic problems and these problems are not dealt with efficiently, political mobilization necessarily includes the identification of a scapegoat. During the most recent electoral cycle, the accumulated economic difficulties, in addition to being attributed to political opponents previously in power, were laid at the door of prominent representatives of the new capitalist class as ‘culprits’, and some of them were even subjected to judicial proceedings for different forms of ‘abuse’. Positive reactions to this campaign among the voters are certainly understandable, in light of the combination of the drop in the standard of living (which poses an existential threat to many people) and the traditional egalitarian value orientations among the lower social strata. Pre-election media campaigns directed against the top ranks of the new economic elite fostered less friendly conditions for the operation of large private firms and created tensions between two factions of the ruling class, the group in control of economic resources and those who manage organizational resources. The situation further undermined any continued stabilization of the capitalist order as a whole and the consolidation of the economic elite, especially given that the latter social stratum is, in Serbia, traditionally submitted to the reins of political power. The current state of both processes make the solving of the ongoing economic crisis more difficult, thus closing the vicious circle.

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<sup>32</sup> Mladen Lazić / Jelena Pešić, *Društvene promene i promene vrednosnih orijentacija pripadnika osnovnih klasa u Srbiji*, in: Mladen Lazić / Slobodan Cvejić, eds, *Promene osnovnih struktura srpskog društva u periodu ubrzane transformacije*, Belgrade 2013, 281-306. Cf. also the paper by Jelena Pešić on value orientations of the economic elite in this issue.

## Researching the Constitution of the Capitalist Class in Serbia

The transformative processes of the *nomenklatura* outlined above have been systematically monitored by scholars. The collection and analysis of data on the group in control of economic resources in Serbia was initiated in 1989, under the aegis of a research project exploring changes in the SFRY's stratification structure.<sup>33</sup> A sound sample comprising 141 members of the 'technocratic' stratum of *nomenklatura* in Serbia — managers of larger public enterprises — enabled a detailed analysis, primarily of the patterns of recruitment, economic position, and value orientations. This research was, as historical chance would have it, carried out immediately before the breakdown of the socialist state, thus providing an excellent comparative basis to monitor the emergence of the economic faction of the new ruling group during the constitution and consolidation of the capitalist form of social life.<sup>34</sup>

A subsequent study of the (new) economic as well as political elite was carried out in 1993, with a somewhat larger sample.<sup>35</sup> Its chronological positioning at the beginning of the systemic transformation in its 'blocked' stage enabled scholars to register the core feature of the constitution of Serbia's new ruling group: the mass conversion of resources, in the form of private appropriation of public ownership, on the basis of their social positions by the erstwhile members of the *nomenklatura*. Furthermore, the research detected the onset of the dramatic growth of social inequalities, since in the period of economic collapse and hyperinflation, the economic position of members of all social groups, even the political elite, deteriorated to a remarkable extent, the only exception being precisely the new economic elite. This phenomenon was a direct consequence of the systemic transformation of property relations upon which the group was founded: its economic position was based not on privileges, subject to external

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<sup>33</sup> This research was carried out under the auspices of the project 'Social Structure and the Quality of Life' (*Društvena struktura i kvalitet života*), pursued by the Consortium of Institutes of Social Sciences of the SFRY. It also covered a significant number of members of the 'politocratic' stratum of the *nomenklatura*, i.e., members of the political leadership, as in other republics. Naturally, in addition to the ruling group, the research also included members of other social classes. The project followed the framework of a similar research programme that had been conducted in Croatia in 1984. Cf. Mladen Lazić, *U susret zatvorenom društvu*, Zagreb 1987.

<sup>34</sup> The findings of that research are given in Mladen Lazić, *Sistem i slom*, Belgrade 1994. Obviously, as a rule, texts written on the basis of results of subsequent research include the relevant comparative data from this 'zero' period of the systemic transformation.

<sup>35</sup> The sample comprised 256 respondents. Cf. Slobodan Cvejić, *Sample Design*, in: Lazić, ed, *Society in Crisis*, 259-272; the findings can be found in Lazić, ed, *Society in Crisis*, as well as Mladen Lazić, *Economic Elites in Yugoslavia at the Beginning of the Nineties*, *Sociološki preglad* 29, No. 2 (1995), 135-148. Once again, as in the previous and subsequent cases, additional samples of the elite were included within the context of research into general stratification changes based on the sample of the entire working population.

control by the *nomenklatura's* higher ranks, but instead on autonomous private ownership.

The research sequence continued in 1997. Interestingly, the first 'transitional' stage of the systemic transformation, i.e., the beginning of its acceleration, was also registered 'in the field' as data were collected: never before, not even during 'socialist single-mindedness' or at the height of the social crisis in 1993, had opposition towards participation in the research been stronger, coming from members of the political elite, including opposition politicians, as well as their economic counterparts. Although this sample comprised 301 respondents, the highest circles of both elite groups were insufficiently represented.<sup>36</sup> Still, the research hypotheses could, in their general tendencies, be substantiated by empirical data. The change in the form of social regulation, with relations of capital taking the place of command planning, increasingly manifested itself in the constitution of the ruling group. The relative separation of the economic and political subsystems was revealed in the differences in the recruitment patterns within the two groups. Furthermore, the politically dominant group became more clearly distant from its socialist predecessor in that its ranks almost exclusively drew new members who had ascended from the middle strata. In contrast, the new private-owner elite still bore evident imprints of the previous order: its members were still predominantly those of the former *nomenklatura*, but the presence of individuals of professional origin was also more pronounced. Economic position as the basis for a special way of life for the new ruling class was at that time manifested through the marked separation of a group of large private owners at the top of the pyramid of economic wealth, who were far richer than the politicians. On the other hand, the position of the political elite improved compared with that of the managers of public enterprises, which explains the aspiration of the latter to convert public into private resources. Furthermore, all groups whose position was based on private ownership, including the self-employed in relation to professionals and even farmers in relation to skilled workers, were economically better off. Finally, in the sphere of values, the new order took firmer hold to the extent that the 'road to capitalism' was accepted as desirable by the majority of social groups, farmers excepted. The new big private owners, supported by professionals, were clearly in the lead, while members of other strata remained supportive, albeit only a little, of the idea that existing 'mixed' order ('sociopolitical capitalism') should continue.<sup>37</sup>

In 2003, more research was done after the political regime change that finally 'released' the tendencies of capitalist transformation in Serbia, which had largely been blocked under Milošević's rule. Had this research only examined

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<sup>36</sup> Mladen Lazić, *Rekapitulacija*, in: Mladen Lazić, ed, *Račji hod*, Belgrade 2000, 5-20.

<sup>37</sup> Findings see in Lazić, *Račji hod*. See also Lazić, *Serbia. The Adaptive Reconstruction of Elites*.

the three-year period since the change in power, no evidence of radical change in the overall social structure could have been expected. However, as changes had started before Milošević's demise, and had gained momentum in the late 1990s, clear signs of an already nascent consolidation of the new social form were at stake.

In fact, scholars established, among other things, that members of lower social strata were excluded from the process of recruitment for the two strata of the ruling class—large private owners and politicians—both intergenerationally and intragenerationally. Along with the domination of former *nomenklatura* members in the new large-capitalist stratum, also obvious is an important breakthrough from the middle strata into this group of individuals.<sup>38</sup> While in terms of economic position the beginning of a relatively strong economic recovery in the country, which brought a relatively rapid standard-of-living increase to the majority of the population—when compared with the previous apocalyptic drop—did not 'disrupt' the newly established patterns of inequality, certain unexpected tendencies related to value orientations were registered. Namely, members of the growing capitalist class showed certain ambivalences: they supported liberal statements typical of the capitalist order in the economic and political subsystems even as they expressed viewpoints characteristic of authoritarian collectivism and redistributive statism, apparently legitimizing the socialist system of relations. It turned out that the constitution of this class in Serbia was far from completed.

The most recent research, from 2012, whose findings are presented in the contributions to this special issue, shows the extent to which the consolidation of capitalism in Serbia has advanced over the past ten or so years. It sought to cover the key topics in terms of structure and agency related to the economically dominant faction of the capitalist class: the patterns of its recruitment, the formation of its specific way of life, and its political preferences and value orientations.

Reliance on the previous research enabled the authors to approach their topics empirically and in a *longue durée* manner. Doing so shed light on the developmental course of the new capitalist class, which was focused on three periods: the end of socialism, as the starting point, in 1989; outcomes of the 'blocked transformation', as the source of specific systemic changes in Serbia, in 2003; and the consolidation of the new class over the decade from 2003 to 2013. On the other hand, bearing in mind that the concept of class is essentially relational (a class exists only in relation to other classes) and is, even in itself, anything but a monolithic concept, the texts in this special issue as a rule take as a fundamental reference point the analysis of analogous processes in the lower social classes. In this context it is important to note that these processes

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<sup>38</sup> See my paper on the recruitment of the economic elite elsewhere in this issue.

were monitored using the same research material, which was made possible by the inclusion in all the above-mentioned research of all basic classes having a specific share of the ruling group, which has otherwise been insignificantly represented in standard proportional samples.

The authors agreed to take as their basic theoretical starting point the views developed by the leader of the research groups—myself. That is why all authors use a uniform basic conceptual apparatus. Within this theoretical framework, groups which form fundamental social relations are called a ‘class’, and are defined in a specific manner within each of the above-mentioned modes of social life production. Thus the ruling group, which controlled economic, organizational-political, and cultural resources in socialism is called the collective-owner class or *nomenklatura*, while the analogous group in the capitalist order is called the capitalist class or, for the earlier phases, the emerging capitalist class. The employment of the term ‘elite’ for the group which controls the accumulated resources but is still in a systemically unconsolidated or transitional social form is a conditional usage: it is either related to the characteristics of the social process analysed or, in its broader meaning as a ‘technical’ term, is the least problematic means to resolve the issue of assigning different names to different groups in different social orders.

The authors also use ‘class schemes’ to show how ‘classes’ in each type of society are differentiated in a manner depending on the level of abstraction used for the analysis of class relations.<sup>39</sup> Bearing that in mind, two-class and multiple-class schemes specific to individual types of society will be distinguished. The analysis of the socialist Serbian society uses a division that contains and differentiates a *nomenklatura*, intermediate class, workers, and private entrepreneurs; in the period of postsocialist transformation the talk is of the ruling elites, the middle class, the working class, and the farmers, while the analysis of the capitalist society uses the same division, with the single exception of the group at the top of the social order. Parts of classes are referred to as strata or factions: thus the working class is divided into the strata of unskilled and skilled workers, the middle class into the strata of professionals, lower managers, small entrepreneurs, and others. The respective analyses use class/strata ‘schemes’ that range from a two-class scheme, especially in comparisons of empirical data on members of the ruling groups and other citizens, to four-class and seven-class schemes. The latter scheme includes the so-called transitional stratum, made up of clerks and technicians with secondary occupational educations, which on the levels of both structure and agency has ‘mixed’ characteristics of the middle

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<sup>39</sup> Lazić, *Čekajući kapitalizam*, 24-35.

and working classes. Its separation into a specific group makes the empirical interclass differences more visible.<sup>40</sup>

The basic proportional and representative sample of the population in the most recent research project comprised 2,662 respondents, while the subsample of the economic elite had 163 respondents. The research included the top management (directors, presidents of management boards, and their deputies) and majority owners of enterprises in Serbia on the list of the 'Top 300' published in the special edition of the *Ekonomist* magazine in 2011. Enterprises on this list were ranked according to their business incomes in 2010.

The main general characteristics of respondents in the sample of the economic elite were the following: prevailing in their ranks were males (81.6%) of middle age (37.4% between 41 and 50; 30.1% between 31 and 40; and 25.1% between 50 and 60 years). The large majority of them lived in Belgrade (71.6%), and almost all others were also city dwellers. In terms of nationality most of them declared themselves to be Serbs (90.2%); the sample also included members of national minorities as well as a few foreigners in financial and industrial firms with majority foreign capital. Only 5.5% of the economic elite's members did not have a higher education, while 21.5% had completed specialist, masters, or doctoral studies. In terms of positions in the management hierarchy of enterprises, majority owners, general directors, chairmen, and members of management boards accounted for 55.2% of respondents. The remaining 44.8% had management authority over one or more sectors in their respective enterprises, ranging from deputies to general directors and directors of sectors in very large enterprises.<sup>41</sup>

The sample for members of the economic elite included questions asked of respondents from the basic sample (population), as well as a series of specific questions, many of which had been used in previous studies of elites as well.<sup>42</sup> The data so gathered enable comparisons of basic characteristics of the economic elite and the general population in Serbia in 2012, as well as a comparison with findings of research into economic elites and the population in Serbia carried out in 1989, 1993, and 2003.

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<sup>40</sup> A detailed description of procedures for empirical operationalization of class schemes may be found in Lazić, Čekajući kapitalizam.

<sup>41</sup> For detailed data on the sample see Mladen Lazić, ed, *Ekonomska elita u Srbiji u periodu konsolidacije kapitalističkog poretka*, Belgrade 2014, 36-41.

<sup>42</sup> Lazić, *Ekonomska elita u Srbiji*, 255-272.