



“You Can’t Have Your Pudding and Eat It”? Remittances and Development in Yugoslavia, 1918–1989

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INTRODUCTION

The role of remittances in the global economy has once again become important as a vital ingredient of the migration-development nexus introduced by the ruling neoliberal agenda. Optimistic accounts of mutually beneficial migration outcomes and exchange between the global North and South have been dominant in official UN papers and its policy guidelines since the 1990s, especially in the 2000s (Gamlen 2010; De Haas 2010; United Nations Development Programme 2009). The migration-driven enthusiasm reached such a level in that period that some analysts wrote about a global craze or frenzy about mobility and the freedom of movement. However, as pointed out by Gamlen, the global recession during the late 2000s triggered a new wave of critical if not entirely pessimistic attitudes about migration-development outcomes. This change of heart in scholarly production was again beneficial for the business and

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power structures as it coincided with the tightening of immigration controls in receiving countries (Gamlen 2014).

Looking back to the past, a similar scheme can be attributed to the neo-Marxian and structuralist critique of the migration-development concept in the recessionary 1970s and 1980s. A comprehensive critique of power structures contributed to its short-term consolidation in those recessionary periods. This brings us closer to our case, since most of the credible scholarly interpretations of the impact of remittances on the social and economic development of socialist Yugoslavia derive from that period. On the one hand, the literature echoed the very same negative appraisal of the developmental outcomes of the migration process (Baučić 1979; Bohning 1975; Vedriš 1978). On the other hand, and in line with the presupposed neoliberal craze about remittances, the prevailing public attitude and standard state agendas in post-Yugoslav (post)transitional countries appeared to be optimistic, praising the favorable outcomes of the stable inflow of hard currency. However, at least in academia, this optimism has been counterbalanced by reservations regarding the sustainability of remittance-related development (Jakobsen and Štrabac 2015; Nikolić 2009).

This chapter does not attempt to embark on a futile arbitration between optimistic and pessimistic approaches to the predetermined causality between migration and development. Instead of challenging prevalent pessimistic narratives on remittance management in Yugoslav studies, it aims to broaden the interpretative framework by shifting between scales of analysis and by introducing new concepts and comprehensive comparative perspectives. The analysis brings together insights from existing literature (Brunnbauer 2016a, b; Đikanović 2016; Miletić 2012; Miletić 2009) and new empirical data provided by archival sources, contemporary newspapers, and other publications of the period under review.

The focus of this chapter is on state remittances and repatriation programs in the period from 1918 to 1989. I will show that state policy was paradoxically inclined to both developmental strategies, hence facing the problem indicated in the title: “You can’t have your pudding and eat it,” as the Zagreb-based Emigration Commissariat (EC), Artur Benko Grado, pointed out in 1920. Of special interest is the difference in interpreting remittances as a private and/or public resource in Yugoslavia. The tension between these two notions is evident in the discrepancy between emigrants’ investment and consumption patterns and the governmental mindset that was operating toward actual or at least symbolic appropriation of remittances.

This chapter is divided into five sections. The first section is dedicated to a survey of the main developments in the Yugoslav emigration process and its emigration policy in the interwar (1918–1928) and socialist periods (1945–1989). The second and third sections emphasize the aforementioned decision makers’ oscillation between repatriation and remittance developmental agendas. The fourth and fifth sections analyze the macro- and meso-levels of remittance-related developmental dynamics.

MAIN TRENDS IN YUGOSLAV EMIGRATION

The first Yugoslav state was born out of the violence of World War I, which also had a considerable impact on migration following a breakdown of the global labor market. The Yugoslav emigration authorities began operating at a moment when mass migration had already been halted. The process of migration control through issuing passports and visa requirements enabled national governments to control population movement in accordance with a wide range of newly introduced criteria, according to the perceived economic, political, and military needs of the country, and to support national, demographic, eugenic, or even racial policies (Miletić 2012, pp. 17–52; Idem 2009, pp. 96–104; Brunnbauer 2016a, pp. 126–130).

In line with these unfavorable trends, the emigration rates from Yugoslavia were almost negligible, especially when compared with the pre-war data. The above-cited Artur Benko Grado, one of the leading Yugoslav experts on migration in the interwar period, claimed that the country had a positive migration balance, meaning a negative net emigration, for the period between 1918 and 1923: “Before the war, it was quite a different situation. [...] In only one year, we had more emigrants from Croatia and Slavonia who left for the US than left in five years from the whole kingdom across the world” (Grado 1924, p. 16). Approximately, this ratio (one to five) applies to the overall Yugoslav statistics for the interwar period when compared with the Croatian-Slavonian prewar data. While the average annual net emigration from this Austro-Hungarian province to the US in the period 1901–1913 constituted 42 emigrants per 10,000 inhabitants, in interwar Yugoslavia, the ratio for overall emigration was around eight (Iseljenički odsjek 1920; Statistički godišnjak, 1940 (1941), pp. 137–138, 143, 147). This calculation is related to the 1910 and 1931 census data for Croatia and Yugoslavia, respectively (Signjar 1915, p. 2; Opšta statistika 1938, p. 4).

Relieved by this decrease in the net volume of emigration, the Yugoslav emigration service could focus on its hidden agenda, namely facilitating the departure of ethnic minorities and, conversely, preventing emigration of ethnic nationals. This policy accounts for the low levels of emigration of ethnic Yugoslavs and the large share of officially designated non-Slavic minorities in the annual contingents of emigrants from the country in the 1920s (Miletić 2012). The ethnic criterion also facilitated an administrative distinction between emigration to Anglo-Saxon countries, effectively reserved for the passport applicants belonging to the constitutive ethnic groups, and Central and South American countries, which became a destination for unwanted minorities. The importance of this distinction was highlighted on several occasions in 1924 and 1925 by high officials of the Yugoslav EC (Miletić 2012, pp. 97–99; Aranicki 1925a; Idem., b). The ethnic agenda and concerns for the co-ethnic emigrants' well-being in their destination countries interfered one with another in a way that eventually did not correspond with the presupposed state interest. The countries' balance of payment might have indeed benefited from the remittances sent by the co-ethnic diaspora. However, the minority migration balance at the same time became compromised since a huge number of minority migrants returned to Yugoslavia from the unsettled countries of South America. The Yugoslav authorities could have accomplished their ethnic agenda by allowing them to emigrate to the more prosperous Anglo-Saxon countries, yet in that case they would have deprived the national economy of the hard currency influx.

While minorities were expected to permanently leave the country, co-ethnic migrants were preferred as temporary labor emigrants in the inter-war period. Whenever possible, the authorities tried to prevent co-ethnic migrants from emigrating with their family members in order to secure their eventual return to Yugoslavia. On at least two occasions, Fedor Aranicki, the chief of the EC, advocated this strategy in plain words. In 1923, he argued against the departure of emigrants' spouses to America, "since we are thereby permanently losing entire families. In any case, it would be better to reserve the quota [i.e., the US immigration quota] for men who will work there and send money here, thus remaining in a more intensive material and moral contact with the homeland" (Iseljenički komesarijat, 1923, p. 1). Regarding emigration to Canada in the 1920s, he commented: "one can be even more at ease about this emigration as women do not emigrate there, which means that both the emigrants and their savings are preserved for our state" (Aranicki 1924, p. 2). Grado

even proposed that his superiors initiate procedures for the codification and recognition of the legal status of temporary migrants at the level of international law (Grado 1924, p. 19). The ideal outcome of the migration process for the Yugoslav officials was to receive the benefits of remittances while maintaining the demographic substance of ethnic Yugoslavs.

While the emigration policy of interwar Yugoslavia was dominated by ethnic and remittance-related issues, the new socialist Yugoslavia in its formative period assumed a strict ideological attitude to migration. Labor migration to capitalist countries was perceived as a sign of weakness and as an embarrassment for their utopian society under construction. For most of the socialist era, state officials did not even use the term “emigration,” which only referred to the labor movements before socialism. This corresponded ideologically to Soviet practices (Miletić 2012, p. 37). In the Yugoslav official statistical yearbook, the term “emigration” was only mentioned in the annual issues between 1958 and 1969, in which the presented data referred to the period between 1953 and 1968 (*Statistički godišnjak, 1945–1987*). From 1973 on, it reappeared in the official statistics under the euphemistic and rather cumbersome legal phrase designating “workers temporarily employed abroad.” However, the statistics did not include annual migration developments, but only census data from 1971 and 1981 on the actual number of workers abroad. Annual net emigration for the period from 1953 to 1968 was around 12 emigrants per 10,000 inhabitants (census 1961), which is still considerably below the pre-1914 rates in Croatia, but higher than the interwar Yugoslav standards. From the mid-1960s on, socialist Yugoslavia began facilitating the emigration process to such an extent that in the following period it became more liberal in terms of freedom of movement than it had been in monarchist Yugoslavia.

In 1971, the number of Yugoslav workers abroad totaled almost 770,000, including family members; in 1981 it was more than 870,000. In this period, a striking shift in the regional distribution of emigration contingents was taking place. While in the interwar period, most emigrants originated from Dalmatia and the northern provinces (Slovenia, Croatia-Slavonia, and Vojvodina), in the socialist period the other Yugoslav provinces also began to participate in the mass migrations. These provinces, which had only provided around 10 percent of the Yugoslav emigration contingents in the 1920s, had risen to around 50 percent of the corresponding ratio in 1971, and around 62 percent in 1981 (Miletić 2012, p. 58; *Statistički godišnjak, 1983 (1983)*, p. 441). This rather

sudden shift in the patterns of labor mobility in these provinces proved to be of the greatest importance in terms of their participation in the European and global labor markets.

REPATRIATION AGENDA

Throughout the monarchist and socialist periods in Yugoslavia, the emigration authorities strived to maintain a cross-border political community that was not only inclusive toward non-resident citizens, but usually appealed to their patriotic sentiments and asked them to actively support their homeland. From time to time, state officials thought they could exercise more influence on their citizens or co-ethnics living abroad. Among the state agendas, repatriation proved to be one of the most ambitious and it had been almost constantly pointed out by authorities, yet the degree of insistence on it varied depending on the current political and international constellations.

The repatriation program was advocated by the officials of the Zagreb emigration department of the provincial Croatia-Slavonia government from 1919 to 1921, at the very beginning of the Yugoslav state's existence. Their administrative practice did not distinguish between emigration and repatriation responsibilities, and when the first Yugoslav migration decree was drafted, Zagreb experts proposed that it should also include six articles dedicated to repatriation and even refer to repatriation in the title (Iseljenički odsjek 1921). Although these proposals were not included in the Yugoslav decree nor the later law on emigration of 1921, the state officials maintained some expectations regarding the outcomes of repatriation. Given the considerable annual rates of returnees, they specifically hoped that the country would benefit from the knowledge and industrial and technical skills they brought back to Yugoslavia. The odds seemed in their favor, as throughout the period between 1921 and 1928, less than 5 percent of female and 9 percent of male emigrants from Yugoslavia were skilled workers.

In a report written in 1922, one official from the Yugoslav General Consulate in Chicago explained why their expectations did not materialize. The returnees were usually those who could not adapt to the American way of life and work; they did not acquire knowledge of modern technology since most of them were hired as unskilled labor: "Usually, in this ocean of people and work, they become lonelier than they had been in their village. Very often they come back [to Yugoslavia] less cultured than

they were before” (Miletić 2012, pp. 141–142). Immigrants who acquired some skills and knowledge were usually among those who decided to stay in America. Yet another negative outcome of the emigration process became evident in 1927 when Grado warned superiors about the rising share of skilled and qualified labor in emigration contingents, at the expense of unskilled workers (1927, p. 1). This was in anticipation of a problem that would mark the subsequent decades and almost a century of the emigration process into the present day.

It was only in the formative socialist period after World War II and well into the 1950s that the repatriation agenda was considered such a priority that it became effectively the only state program regarding migration. As if nothing else mattered, all the state resources meant for emigration affairs were channeled into the master project of repatriation. An impressive yet impossible goal was set to repatriate all the so-called economic migrants who had left the country during the allegedly reactionary and repressive monarchist regime of old Yugoslavia. Like other socialist utopian causes, the lion’s share of the input in this project relied on propaganda enthusiasm, since material resources were scarce. Returnees arriving on state-operated steamships were greeted in Yugoslav ports by reputedly spontaneous crowds, who shouted political slogans and welcomed their compatriots returning from abroad. The returnees were provided with free meals, hotel accommodation, and transportation to their homes. The machinery, tools, and vehicles they brought with them were either exempted from taxation or charged at reduced rates (Brunnbauer 2016a, pp. 262–70). In order to facilitate repatriation from other European countries in one place, a huge barrack settlement with the capacity to accommodate around 500 lodgers was constructed in Kamnik, Slovenia (Moskovljević 1948, pp. 1–4; Bekavac 1948, p. 1).

Despite poor infrastructure, a lack of food and clothing, and limited available housing, the Yugoslav socialist authorities did their best to accommodate, supply, and find adequate employment for the repatriates. They received double rations of food and clothing compared to domestic laborers and were immediately provided with appropriate housing. This privileged position caused the returnees to become the target of resentment and complaints by their colleagues and neighbors. However, no matter how privileged they might have been in Yugoslavia, their standard of living and their personal income was much lower than what they had become used to in their countries of emigration. Most of the able-bodied

skilled workers decided to emigrate back to their previous continental or overseas destinations, while the weak, old, and sick remained in Yugoslavia. (Brunnbauer 2016a, p. 266).

By the end of the 1950s, the repatriation agenda as an almost exclusive approach to migration problems was abandoned. In the 1960s, Yugoslav emigration policy became ever more liberalized, and the focus of the country's migration concern shifted toward an emigration agenda. In the 1970s and 1980s, the repatriation narrative reappeared, however. Under the circumstances, it became intrinsically linked with attempts to channel emigrants' hard currency savings for the benefit of the home economy and the state's balance of payments. Since this policy emphasizes the importance of remittances over that of the emigrants themselves, it will be analyzed in the next sections.

INFLUX OF REMITTANCES

When it peaked between 1980 and 1982, the average annual gross remittances to Yugoslavia totaled around US\$4.5 billion, while in 1988 it was estimated that around US\$10 billion were deposited in private savings abroad. The data is even more striking when compared with other European source countries. According to Bogoev's data (1989, p. 130) referring to the period from 1977 to 1983, the aggregate amount of Yugoslav gross remittances was bigger than that of Greece (by 3.6 times), Turkey (by 2.1 times), Spain (by 2.9 times), and Italy (by 3.3 times). In monarchist Yugoslavia, according to the estimates of the experts from that period, the average annual remittance inflow ranged between US\$10 and US\$20 million (Đikanović 2016, pp. 106, 112). In the period between 1926 and 1929, the influx was around 2.7 billion dinars, or around US\$45 million—an amount that not only compensated for the deficit of the balance of payment in that period, but exceeded it by almost 60 percent (Miletić 2012, p. 136). In spite of the fact that they did little to help emigrants with their endeavors, the authorities in both monarchist and socialist Yugoslavia had, from early on, a fairly good insight into and high expectations of the remittances sent by emigrants and the savings brought back to the country by returnees.

The priority, in either case, was to facilitate the influx of hard currencies through official state channels in order to claim these as a net gain for the state's balance of payments. In the 1920s, Yugoslav emigration and banking experts were pointing out the devastating consequences of semi-legal

activities by small exchange bureaus, which kept foreign exchange outside the national banking system. Ljubomir Kosijer, a banking expert, even proposed a system of state-organized transportation and reception of returnees to the authorities with the aim of facilitating a legal conversion of foreign exchange (Grado 1924, p. 17; Kosijer 1924, pp. 93–94). This proved to be a big concern for the state even during its most utopian socialist period immediately following World War II. No matter to what extent they despised the bourgeois order, the socialist comrades were more than willing to lay their hands on the remittances earned there. At the steamship liners, the procedure for the exchange of hard currencies would often begin on the open sea, even before the steamships entered domestic ports. If not on the boat, the currency exchange was arranged in the port immediately upon disembarkation (Savet 1964, pp. 1–2). The state officials in charge of organizing the reception in the ports wrote about a close inspection of returnees’ movements in order to prevent the illegal exchange of the currency (Japunčić 1947, p. 3). It bears mentioning that these extortionist practices took place in the midst of festive official welcome receptions. Many of the returnees brought sacks of flour with them, which indicates that they knew very well about the economic situation in Yugoslavia. In this period, the comrades from the reception committees often complained about those non-financial means of support.

In 1947, one repatriation official suggested that his superiors launch a subtle propaganda campaign among emigrants to persuade them to send financial remittances rather than parcels to their relatives (Japunčić 1947, p. 4). The same issue was raised in a discussion over exchange rates payable to the remittance receivers in Yugoslavia in 1954. A more generous rate was proposed in order to prevent the practice of sending parcels instead of money, which had allegedly already been advertised and instructed by anti-Yugoslav propaganda abroad (Savet 1954, p. 1). This sensitive issue was finally resolved in 1959 when high tariff taxation was imposed on the contents of parcels sent from abroad. The decision was explained in the journal *Zavičaj* (Homeland), the official organ of the Matica of emigrants from Serbia (“Novi carinski propisi” 1959, p. 7).

The justification for the introduction of the tariff was a rather suggestive advertising of the benefits of sending remittances instead of foreign-produced goods. Allegedly, these goods were more affordable in Yugoslavia, which had developed a strong industrial basis to produce consumer goods. The tariffs were thus meant to protect the interests of the parcel recipients. According to the article, by sending remittances,

emigrants opted for a more convenient and more affordable way of helping their relatives. However, if the emigrants still decided to send parcels, there was a special offer by the Belgrade merchant company Jugoeksport, which came forward with a great variety of domestic products that could be bought for remittances. These were to be exchanged at generous rates and sent on to the postal recipients in Yugoslavia. Both options advertised by this journal included a hard currency gain for the national balance of payments.

The state apparatus of monarchist Yugoslavia was also concerned about the uninterrupted flow of remittances. An interview conducted with Milorad Nedeljković, director of the Yugoslav Poštanska štedionica (Postal Savings Bank) in 1927, reveals that the state mediated and provided help in negotiations between this bank and American and Canadian postal authorities. According to Nedeljković, the contract concluded between the three national postal companies enabled Yugoslav emigrants to send their remittances from any post office in these North American countries. The procedure was quite simple, as the emigrant only had to write down the address of the postal destination in Yugoslavia. The Head Post Office in the US collected these remittances and at least once a week sent them to the Belgrade headquarters of Poštanska štedionica.

Apart from providing state-facilitated banking and postal channels to bring home remittances, Yugoslav state officials often raised the issue of how to employ remittances in a more concentrated and useful way. This question was discussed by Yugoslav emigration representatives and policy-makers at their 1924 conference in Zagreb, where it was pointed out that almost all the remittances had been spent on either personal consumption or housing improvements. A few speakers suggested measures that would facilitate a more active role for the National Bank of the Kingdom of Serbs, Croats and Slovenes (SCS) in the management of remittances. They argued that the central bank should not have been limited only to the conversion of emigrants' remittances (as any other financial institution could do this). Rather, it should have engaged in a more ambitious project of establishing an American branch to collect all emigrants' savings and remittances in one place. Only in this way could the huge potential of emigrant finances be used for large-scale investment projects in Yugoslavia.

This initiative was not realized during the interwar period, yet it shows that remittances were perceived as a public resource, at the disposal and within the effective reach of the state machinery. This was even more evident in a memo by Grado in 1920, in which he wrote that the authorities

had to choose whether to pressure emigrants to return home and bring all their savings with them or to stay in America and continuously send small remittances to their family members. Grado pointed out the dilemma in slightly inaccurate English: “You can’t eat the pudding and have it” (Grado 1920).

In socialist Yugoslavia, after the above-mentioned tariff policy change of 1959, the state agenda clearly became more mercantilist and market-oriented with regard to the process of channeling hard currency into the country’s banking system. During the 1960s, the main concern was to attract remittances, while in the 1970s and 1980s, the state also facilitated schemes of investing hard currency savings and remittances into the social sector of the economy. A hard currency-driven enthusiasm was particularly evident in the second half of the 1960s in the reports and policy proposals by the Federal Council for Emigration Issues.

The president of the council, Đuro Stanković, was a prewar member of the communist party. During the war, he was a political commissaire of the Sixth Lika Brigade, one of the most celebrated units of the partisan army. He might be considered a party hardliner since he was implicated in the indiscriminate liquidations of political opponents in 1944 and 1945 (Cvetković 2006, p. 174). However, his reports in 1964 and 1967 only evince economic and market-oriented reasoning disassociated from any ideological narrative or connotation. He took pride in pointing to a huge annual increase in remittances, as though this were an accomplishment of his emigration council. At one point, Stanković stressed that just one donation from abroad in 1966—a US\$65,000 donation for the construction of a local infirmary—was worth more than the total federal expenditure for all the emigration services in the country. The comparison was closely related to Stanković’s own agenda, namely to convince the federal authorities to increase the funding available to emigration offices in line with the increase of the hard currency influx into the country (Stanković 1967, p. 3). The former communist hardliner identified himself with the role of a market-oriented manager to such a degree that it included an expectation of sharing the profit with federal authorities.

One of the political agendas of the Yugoslav regime throughout the 1960s was to pacify political emigration and to gradually transform it into economic migration. The process was announced by the amnesty law of 1961, while in Stanković’s report the pacification of political emigration could reattach the emigrants and their immense resources to Yugoslavia. He thought these emigrants, together with the prewar diaspora, should be

attracted by commercials and propaganda to visit Yugoslavia. Stanković estimated that each of them would spend at least US\$1000 per visit, which he calculated with simple arithmetic, and again included an enthusiastic account of how the state would benefit from this tourism. Compared with the previous postwar repatriation agenda, this 1967 attitude was almost on the opposite pole of the ideological spectrum. Instead of viewing labor emigrants as would-be returnees and political emigrants as enemies, both groups were now invited to come to Yugoslavia as tourists. In the 1970s and 1980s, innovative and rather complicated institutional frameworks were designed to attract migrants' remittances into the companies belonging to the social sector of the economy.

REMITTANCES ON THE MACRO-SCALE

Practices surrounding remittances belong, first and foremost, in the private domain of personal and family concerns (Horst et al. 2014). The public utilization of these resources is usually only circumstantial and unintended, especially as regards anticipated macro-economic outcomes. However, at the birth of the Yugoslav state in 1920, the huge asset of hard currency influx could hardly escape being envisaged for appropriation in either symbolic or real terms. Symbolic appropriation refers to both the governmental mindset and the narrative representation of private remittances as a government's active and disposable national resource.

One finds this very attitude and almost the same notion in the late 1980s, in the last years of socialist Yugoslavia. In 1988, officials of the federal fund for facilitation of credit support for the industrial development of the Yugoslav republics and Kosovo lamented in a memo their inability to obtain a loan of DM2 million for the purpose of creating employment for the returnees from West Germany. The memo highlighted that the painstaking negotiations with the West German government had gone on for more than two years, "notwithstanding the fact that the estimated savings of our workers temporarily employed in West Germany [was] around DM10 billion!" (Kačanski 1988, p. 100). The undertone implies that the state could somehow have had access to those billions of hard currency, which was certainly not the case.

Apart from symbolic appropriations, there were also some actual appropriations of remittances by the state. These included unfavorable and sometimes even extortionist official exchange rates and a variety of

restrictions regarding the disposal of private hard currency deposits in Yugoslav banks. When more rigorous limitations were introduced in that domain of banking operations by the federal government of Milka Planinc in October 1982, it deeply affected rates of remittances arriving in Yugoslavia via official channels. While the gross influx of remittances in 1982 was around US\$4.4 billion, the corresponding amount for the subsequent year was no more than US\$2.9 billion, and it remained considerably below the 1982 level in the following period (Bogoev 1989, pp. 128, 137). There was no better proof of the actual limits of the government interference in remittances, as well as of the undeniably private character of remittance transactions.

A specific pattern of the symbolic appropriation of remittances is evident in the semantics of the Yugoslav emigration authorities, who often quoted official statistics on remittances as though they were the outcome of their own activities. The steady inflow of remittances and ever-rising rates of the hard currency influx in the 1920s and during the period from 1965 to 1982 had set the stage for grand-scale, nationwide, investment projects and the rapid development of underdeveloped regions in Yugoslavia. The frustration of the state bureaucrats and experts in the field arose from the fact that most of the money sent from abroad usually ended up in the extended consumption of the individuals who received it. A beneficial impact of remittances on the country’s balance of payments was usually taken for granted or otherwise neglected in such grandiose and unrealistic schemes (Grado 1924). However, according to Anthony Thirlwall’s theoretical model, the trade balance performance proved to be a decisive ingredient of economic growth, especially for developing countries (McCombie and Thirlwall 2004).

This model stems from the post-Keynesian demand-driven concept of productivity growth. It suggests that running a long-term deficit will result in a constant foreign exchange shortage that will eventually cause a constraint on demand of the overall national economy. Thirlwall and his followers have tested this formula for GDP growth in many nation states, and they particularly stressed its significance in developing countries. The Yugoslav economy might also have benefited from the steady inflow of hard currency, yet there was a huge discrepancy between gross volume and net income in remittances.

Net income refers to the deposits which were effectively converted into domestic currency through official channels and thus became disposable assets of the National Bank of Yugoslavia. However, due to unfavorable

exchange rates and state interference in private deposits, net income decreased in the 1970s, from around 75 percent of the gross inflow in 1971 to around 50 percent in 1979. By the end of the 1980s, it constituted less than 30 percent of the gross inflow (Bogoev 1989, p. 136). The state was running deficits in the period from 1976 to 1980, which would have also been the case in the 1980s if not for the net income of remittances in that period. However, the data on annual GDP growth in Yugoslavia and its balance of payment performance, at first sight, seems unrelated in terms of Thirlwall's theory. This is because, during the deficit period from 1976 to 1980, the average annual GDP growth was between 4 and 5 percent, while in the 1980s, when the balance of payment was positive, growth was negative or close to zero.

The constrained growth in the 1980s had much to do with administrative restrictions on the availability of foreign exchange imposed by the federal government. This was a follow-up of the strict fiscal responsibilities assumed by the state before the consortium of foreign creditors. The balance of payment became positive, however, at the cost of constrained growth (Marsenić 1990, pp. 99, 219, 302). One way or another, the role played by remittances in this macro-economic context was to a great extent positive regarding the developmental agenda. One could only contemplate the multiplying effects of the residual amounts of remittances which never entered the state-facilitated banking system.

Rising unemployment in Yugoslavia was yet another macro-economic feature interrelated with mass migrations. In 1971, when there were around 9 million active laborers in the country, 672,000 of them constituted guest workers abroad, while the number of unemployed in Yugoslavia was around 300,000. In 1981, the corresponding numbers were 10 million, 625,000, and around 800,000. Apart from the unemployed and the guest workers, around 4 million people were employed, or rather trapped, in agriculture, where only a small share of the production was organized in an efficient and profit-oriented manner. The perennial problem of underemployed labor in the countryside was even more acute in interwar Yugoslavia, which was a predominantly agrarian country.

It has already been pointed out by Brunnbauer (2016a, p. 308) that Yugoslav migration outcomes did not correspond with the model predicted by neoclassical theory. Not only was there no convergence of factor prices or other related equalizing effects, but the wage gap between Yugoslavia and the destination countries became ever more pronounced. According to Ivo Baučić, the leading Yugoslav expert in the field, Yugoslav

migrant workers in the 1970s could earn around 3.5 times more abroad than in Yugoslavia, while in the late 1980s this ratio almost doubled (Kačanski 1988, p. 39). This fits almost perfectly with Myrdal’s predictions on circular cumulative causation as a result of an unrestricted market exchange of labor and goods between developed and underdeveloped countries (Myrdal 1957, pp. 11–49). Ever since it has been reintroduced in migration studies, Myrdal’s theoretical model serves as an ultimate evidence of the pessimistic conclusions on the nature of the migration process. However, Myrdal himself was far from being a defeatist or complainer. His scholarly wisdom also included a variety of proactive measures intended to minimize the negative effects of cumulative causation. In the first place, these entailed a meaningful state intervention by underdeveloped countries in both internal and foreign market operations, as well as meticulous and long-term planning of their development strategies (Myrdal 1957, pp. 81–99).

In our days, when neoliberal values dominate politics and global scholarship, it is no wonder that this optimistic and proactive component of Myrdal’s conceptions has been entirely overlooked or forgotten even by authors who make use of his theoretical system. However, socialist Yugoslavia in the 1970s and 1980s was not entirely helpless before the scrutiny of the global market: it did intervene in markets and seriously plan its development strategy. Yet again, it ended up in the worst circular cumulative causation of economic stagnation, rising unemployment, and overall dependency. The Turkish case provides us with a significantly different story, at least when it comes to the 1980s. Throughout the 1970s, the balance of payment in this country was almost entirely dependent on remittances, which totaled up to seventy and as much as 90 percent of the country’s exports. In the second half of the 1970s, the percentage ratio of the total gross inflow of remittances and exports was around 60 percent in Turkey and 45 percent in Yugoslavia. In the first half of the 1980s, the corresponding ratio declined to 33 percent in Turkey and 35 percent in Yugoslavia (Aydaş 2003, p. 64; Bogoev 1989, p. 143).

The relative importance of remittances in the Turkish economy declined due to the export-oriented economic reforms introduced after the military coup in 1980. The shifting priorities in economic policy brought about an unprecedented rise in annual rates of exports (Togan and Balasubramanyam 1996; Şenses 1991; Aksel 2019, pp. 61–62, 69). In the first half of the 1980s, the average annual growth rate of exports in Turkey was around 23 percent, while in Yugoslavia in the same period it was no more than 4

percent. If one disregards developments in 1981, it was close to zero (Aydaş 2003, p. 64; Bogoev 1989, p. 143). This enormous rise in Turkish exports had nothing to do with the previous dependence on foreign exchange derived from remittances, nor was this the case with the stagnation of the Yugoslav economy in the 1980s. Migration literature has already pointed to the multi-causality of growth-related factors in developing countries.

REMITTANCES ON THE MESO-SCALE

Underneath the macro-economic surface, there is a meso- and micro-universe of everyday life and societal interaction triggered by remittances. Brunnbauer (2016a, pp. 319–320) has already pointed out the transformative impact of emigration and the widespread transnational character of social networks and practices in the Balkan countries on the local level. With regard to remittance utilization, I will focus here on the developments in the domain of investment in housing and socialist enterprises. According to one survey conducted in Croatia in 1970/1971, investment in the housing sector constituted a predominant share of labor migrants' expenditure. The results indicate that among the contingent of the migrants who actually spent their savings, around 73 percent invested them in housing construction and appliances, around 17 percent decided to buy a car, and a residue of around 10 percent of the interviewees invested their savings in agriculture machinery (Baučić and Maravić 1971, p. 92). Yugoslav emigration authorities in both the monarchist and socialist period often complained about this distribution of emigrants' expenditure, which was devoid of any sustainable business-oriented approach. This critical stance included paternalistic complaints regarding the selfish immaturity and irrationality of emigrants' choices. This also impacted the language used by politicians and experts: a basic necessity like providing oneself with a roof over one's head was often considered "consumption" rather than investment; the remittances were "wasted" rather than put to good use (Grado 1924, p. 17. Miletić 2012, p. 135; Kaćanski 1988, pp. 30, 61; Bogoev 1989, p. 125).

In this regard, some inconsistencies become apparent between the daily politics of the Yugoslav emigration offices and the extent of their dissatisfaction with its outcomes. This particularly holds true for the socialist period, when the state tried by all means to encourage and facilitate *Gastarbeiter* investment in housing construction. In line with the state

agenda, the banks offered up to 20-percent discounts for the housing units paid for with hard currency. This opportunity was widely advertised by official emigration journals. However, obtaining all the necessary licenses for construction proved to be difficult and housing space was limited (Kačanski 1988, pp. 40–41). Both constraints were ideologically driven and, in a more general context, they epitomized the inner conflict between market-oriented incentives that developed in the Yugoslav economy after 1965 and the deeply rooted bureaucratic traditions of administrative socialism.

It seems that while arguing against investments in the domain of housing, Yugoslav officials and experts in the field were disregarding the scale of the housing crisis and the poor level of housing infrastructure, particularly those from interwar Yugoslavia that were being rapidly improved in the socialist period. Many of the endemic diseases and health-related disabilities in interwar Yugoslavia were a consequence of inadequate housing conditions (Dimić 1996, pp. 49–69). From this perspective, the improvement of housing standards undoubtedly contributed to the country’s long-term development agenda, correlated with the short-term impacts of providing employment and materials in the construction and maintenance sectors. Whenever it served household necessities, such a private initiative supplemented the broader agenda of national housing policy.

The aforementioned tension between pro-market incentives and the ideological approach to the socialist economy brought about unconventional para-market schemes to attract emigrants’ hard currency savings into social sector enterprises. The system was inaugurated by decrees issued in 1972 (Vedriš 1977, p. 4) and was later sanctioned in the Law on Associated Labor of 1976. The scheme provided employment for returnees or members of their families as compensation for a certain amount of foreign exchange deposited in a five- to ten-year period years with stable interest rates and for the sake of the companies’ current account. The available data indicate sums between DM5,000 and DM10,000 invested by individuals. The most successful campaign was conducted from 1973 onward by the company Pionirka in Imotsko (Aržano plant), which collected around DM500,000 through such a scheme (Brunnbauer 2016b, Ivanković 1977, pp. 45–46; Vedriš 1978). Unfortunately, according to the regulations, only half of these assets were available for the company’s purchase of machinery from abroad. Due to a lack of market and business opportunities, the Aržano textile factory did not manage to become a profitable, self-sustaining enterprise during the 1970s (Vedriš 1977, p. 9;

Vedriš 1978, p. 17). Interestingly, a similar scheme of returnee employment conditional on deposited hard currency was proposed by Grado in the 1920s (Grado 1924, p. 18).

By the end of the 1980s, the schemes popularly dubbed “hard currency factories” or “purchasing employment programs” were considered a failure, although it was estimated that around 40,000 people had found employment through them by the end of the 1980s (Kačanski 1988, p. 33). However, if the average individual deposit was close to the minimal evidenced amount of around DM5000, then the overall sum invested in these factories may have totaled up to DM200 million or more. Nevertheless, the overall program was considered a failure by both the authorities and the experts in the field. One can find similar negative assessments in Turkey regarding analogue investment schemes that operated within the framework of the Turkish Workers Companies. Experts’ estimates of money invested in these companies were as high as US\$300 million, yet the Turkish authorities generally perceived them as a disappointment (Adler 1981, pp. 62–72). This was a result of the same irrational expectations and high hopes invested in the transformative power of remittances as in Yugoslavia.

CONCLUSION

A vast Yugoslav diaspora, composed of people of diverse economic, political, ethnic, and citizenship statuses, provided a constant source of discomfort and unrealistic expectations for the control-obsessed authorities of Yugoslavia. This holds true for both interwar and socialist Yugoslavia. However, in territorial terms, the emigration process and diaspora affairs in the monarchist period were predominantly related to the northern Yugoslav provinces and Dalmatia. It was only in socialist Yugoslavia that the rest of the country experienced the phenomenon of mass migration. Moreover, the number of migrants from Macedonia, Kosovo, Serbia, Bosnia-Herzegovina, and Montenegro rose gradually, by the 1980s constituting the majority of Yugoslav *Gastarbeiter*. Over the course of Yugoslav history, all its provinces thus became integrated into the global labor market, while emigrants themselves and their earnings came under the scrutiny of the anxious authorities.

In developmental terms, the Yugoslav authorities almost always hesitated between opting for the final repatriation of emigrants and relying on their remittances. The only period when the state agenda was coherent

was during the first post-WWII decade, when all available state resources and immense efforts were invested for the sole purpose of bringing emigrants back home. This huge attempt of facilitating transformative change by repatriating human capital eventually failed, as was the case with a similar scheme that counted on emigrants’ financial resources. A comparison with the Turkish Republic and its rapid advance of the export-oriented sector of its economy in the 1980s, despite a huge previous dependence on remittances in the 1970s, points to important conclusions. The overall development seems to have been, to a significant degree, unrelated to remittances in terms of both positive and negative expectations and outcomes. Even when the balance of payment facilitated by remittance inflows provided developmental preconditions as confirmed by the Thirlwall model, the expected outcome was still dependent on the proactive economic policy and overall state agenda. This holds true for both the Yugoslav economic stagnation and the Turkish export boom in the 1980s. As Ulf Brunnbauer already proposed, a typically hysterical tone in migration debates may be calmed down with a historical retrospective focus on the actual developments and outcomes of migration (2016a, p. 322). In our case, this applies to the popular and scholarly debates assuming the essential developmental role of remittances, too.

The Yugoslav model of remittance policy turns out to be indicative of the country’s desperate need for developmental resources rather than of a reasonable and comprehensive economic or emigration policy. Similarly, the paternalistic attitudes of state officials, their frustration with the emigrants’ supposedly irrational and spendthrift behavior, and their endless designs to appropriate remittances or to facilitate their more productive utilization are much more related to the general fields of the art of governance than to those of the specific domains of migration or development studies. The principal bureaucratic misconception was about the nature of remittances being perceived as a public resource. Ironically, whenever the state tried to interfere with the freedom to dispose of remittances, it would subsequently gain less in terms of both direct and indirect benefits, as was demonstrated by the enforcement of the 1982 banking regulation. Otherwise, the remittances, when recognized and administered as a private resource and a kind of individual self-help scheme, could significantly supplement a broader developmental agenda regardless of actual state policy.

Having observed this, my intention is not to advocate this *laissez-faire* model as an exclusive model of public policy, nor am I inclined to conform

to the neoliberal enthusiasm of the early 2000s regarding the migration-development nexus. Public policy, and especially economic policy in underdeveloped or developing nations, should always include a significant degree of state intervention and overall planning. Only when deprived of such active policy might underdeveloped countries consider emigration of their labor force as a meaningful development strategy. Under such circumstances, the neoliberal enthusiasm for migration seems to derive from the same desperate lack of developmental strategy and is equally unrealistic as were the utopian designs of the Yugoslav emigration authorities.

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