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Education and Economic Development in Slovenia (Some Observations up to WWII)

In economics it holds that the correlation between education and economic modernisation cannot be denied. Here we have to emphasise that the modern economics does not refer to education as often as it does to human capital. The concept of human capital itself includes useful knowledge and skills acquired by individuals during the process of (vocational and general) education, training or work. Such definition also equalises both kinds of education we obtain in our lives: formal and informal.¹

Paul Samuelson and William Nordhaus argue that four requirements must necessarily be met in order to ensure faster economic development and modernisation of society. Society must have at its disposal suitable human and natural resources as well as the accumulation of capital and technology.² In this concept we should also mention the thesis of Douglas C. North, who pointed out: “Economic change is a result of changes, one, in the quantity and quality of human beings; two, in the stock of human knowledge, particularly as it applies to the human command over nature; and three, in the institutional matrix that defines the incentive structure of society. A complete theory of economic change would therefore integrate these three strands”.³

The category of human resources – meaning, the population with all its capabilities, brought together within the concept of human capital – is the most interesting category for our discussion. In order to introduce and manage the economic processes, a certain level of knowledge and experience is essential. Already at the first educational level – at the level of basic literacy – it has to be

1 David Mitch, “Education and Economic Growth in Historical Perspective”, in Robert Whaples (ed.), *EH.Net Encyclopedia*, July 27, 2005. URL <http://eh.net/encyclopedia/article/mitch.education>.

2 Paul Samuelson – William Nordhaus, *Ekonomija* (Ljubljana, 2002), p. 233.

3 More detailed in Douglas C. North, *Understanding the Process of Economic Change* (Princeton University Press, 2005).

underlined that it lowers the costs of information dissemination.⁴ Well-educated population is more productive, uses capital more efficiently, finds it easier to adapt to new technologies and is capable of promptly upgrading the existing knowledge.⁵

By no means should we overlook the very important contribution of education to social development. It may be indirect, but it is that much more effective. Increasing the education level of the population or society as a whole creates an atmosphere favourably inclined to development in all fields, not only economy. Simultaneously, as the education (knowledge⁶) level increases, the possibility of innovations at the level of business strategies and practices as well as economic development technology also increases.⁷ Thus education is only one of the factors of economic development, and its influence on this development also has to be evaluated in such a context. We should not neglect to emphasise additional aspects of contents and meaning, expanding the moments of the social acceptability of progress. With this we mean the cultural background⁸ of socio-economic changes, underlined by the institutional theory,⁹ which are an integral part of various developmental paradigms.

After the introductory part defining the correlation between education and economic development at the schematic level we will focus on the Slovene circumstances. We will try to define the place of the Slovene economic development until the World War II from the viewpoint of the education. We wish to bring the attention to the points which in view of their long-term effects seem to be the turning points towards focusing on different values. Obviously we should emphasise that it is not our purpose to present the development stages and dynamics of Slovene educational institutions, education and educational policy. With this restriction in mind, we will first make four assertions that in our opinion describe the Slovene situation from the middle of the 19th to the middle of the 20th century. These statements are the following:

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- 4 Marjan Senjur, *Razvojna ekonomika – teorije in politike gospodarskega razvoja* [Development Economics – theories of politics of economic development] (Ljubljana, 2002), p. 289. Hereafter Senjur, *Razvojna ekonomika*.
 - 5 Antonio Ciccone – Elias Papaioannou, “Human Capital, the structure of production and Growth”, *Working Paper Series No. 623/ May 2006, European central bank, 2006*, pp. 31 – 32.
 - 6 Aleksandar Kešeljević, “Vloga in pomen znanja v teoriji rasti” [The role of knowledge in Growth Theory], *NG*, Vol. 3-4, 2006, pp. 115 – 124.
 - 7 Senjur, *Razvojna ekonomika*, pp. 289 -291.
 - 8 Lorena Korošec, “Kultura in ekonomska rast” [Culture and Economic Growth], *Ekonomski pregled*, 52 (11 – 12), 2001, pp. 1378 – 1399.
 - 9 Douglas North, *Institucije, institucionalne spremembe in gospodarska uspešnost* [Institutions, Institutional Change and Economic Performance (Political Economy of Institutions and Decisions)] (Ljubljana, 1998).

1. the Slovene level of education was modest,
2. the educational structure was unbalanced in terms of professions, and humanist intelligentsia prevailed,
3. the Slovene space was governed by anti-progress ideology: the social atmosphere not in favour of economic development persisted,
4. the affirmation of certain aspects of technology and economic efficiency in the social perception was delayed.

All the interconnected statements defined the basic parameters of the Slovene economic and social development. However, they differed among themselves in terms of the time of their effect. The first two points manifested themselves as a long-term constant. The third point partially lost its momentum in the interwar period, when the fourth one started taking effect.

To illustrate the situation, let us begin with some information from 1948.¹⁰ The educational structure in Slovenia of that time was the following:

No education	3.0 %
Elementary school	85.3 %
Lower secondary school	7.8 %
Upper secondary school	3.1 %
University education	0.8 %

The average inhabitant of Slovenia only attended school for a bit over four years. This confirms our initial statement about the modest education level in Slovenia in the long-term perspective until the World War II. It is more than obvious that the focus of education was on the elementary school level – on the level of basic literacy. This supports the second initial statement: that the education level structure on higher levels – that is, the secondary school (lower and upper levels) and university education – was deficient and unbalanced in terms of professions.

One of the basic roles of education in the society is to create an atmosphere favourably inclined towards economic progress. In such an environment innovations in the social as well as economic processes are also made possible or encouraged. In the historical context, we can draw a line between two very important periods in the time since the end of the World War I. Circumstances more favourably disposed to economic and social modernisation, also at the

¹⁰ *Ekonomsko društvene osnove sistema školstva u FNRJ* [Economic and Social Foundations of School System in Yugoslavia] (Beograd, 1953).

level of the public discourse, started to be established. The time between the two world wars represented a conclusion of the preceding period on various levels – the period from the middle of the 19th century until the beginning of the World War I. However, also within these points in time, two shorter periods should be distinguished. The division line between them is the beginning of the 1880s. As far as economic progress is concerned, a developmental standstill in the Slovene space was characteristic for the first period, lasting until the beginning of the 1880s. Due to the transformational depression during the transition from the feudal to capitalist economic system, the Slovene territory remained on the edge of modernisation processes. It made use of but a few innovations of modern capitalist economy. Thus the basic relative economic relations with the northern and western neighbouring territories were established. This lag in the economic modernisation processes notably characterised the Slovene space, not only in the field of the economic progress achievements, but also or especially in the field of social ideology.

No theoretical and practical ideas and initiatives with regard to a different economic and social structure were to be seen. Anti-capitalism and protectionism became the predominant ideologies – as an answer to not keeping up with the modernisation processes. At first both of these phenomena were a consequence of the delay, while later they also became its cause, since a social atmosphere disinclined to faster economic modernisation had been formed. The collective had precedence over individualism, and certainty was more important than risk: perhaps in this sense we could even say that rentiership had a higher value than entrepreneurship.¹¹

This pattern was most distinctively established after the ideological division in the last decades of the 19th century. Prior to that, an affirmative social discourse can be detected with regard to modernisation, albeit with some apprehension.¹² After the ideological division, the prevailing social discourse changed, especially after the unilateral political homogenisation. The perception of farmers as bearers of national awareness and devotedness to the church/Catholicism brought about a specific moment in national discourse based on religion. For a part of the Slovene elite, the affiliation to the Slovene nation was synonymous with practicing the Catholic religion. This did not contribute to a positive development programme, but to the one of a defence, as the modernisation also brought secularisation. The fundamental emphasis within the defence discourse was put on the preservation and consolidation of the existing situation. However, the development was not

11 Žarko Lazarević, *Plasti prostora in časa* [Layers of Space and Time – Chapters from Economic history of Slovenia in the first Half of 20th Century] (Ljubljana, 2009), pp. 23-24. Hereafter Lazarević, *Plasti prostora*.

12 Peter Vodopivec, *O gospodarskih in socialnih nazorih na Slovenskem v 19. stoletju* [On Economic and Social Principles of the 19th Century Slovenia] (Ljubljana, 2006), pp. 130-150. Hereafter Vodopivec, *O gospodarskih in socialnih nazorih*.

objected to in its entirety. The economic progress was present but it had to be very slow, undertaken with extreme caution, and was by no means allowed to disrupt the traditional social model.¹³ As a logical consequence, such a starting point meant that, in addition to the ideological and political homogenisation, homogenisation of the people living in poverty also came about. This fact was not changed even by the extensive cooperative organisation which played an extremely important part by increasing the farmers' purchasing power with their income unaltered. In the long run, however, it was unable to ensure economic modernisation. Nevertheless, cooperative societies were an effective tool used to achieve political and ideological limitation within one's own nation, as they enabled control over market presence, control over the economic potential of membership, as well as the production and distribution of information via the cooperative and other types of print.¹⁴ It was at this point that supporters of differing political beliefs found themselves sharing the same viewpoint.¹⁵

In this context, it would be impossible not to consider the activities the purpose of which was to reject anything that disrupted the homogenisation of people and enhanced the property or intellectual differentiation. The modernisation-related phenomena were disruptive to the existing order of limitation within the country's own national borders. If one's differences were displayed, a step that followed would generally involve public discrediting. Disqualification was based on two moments in public discourse, namely on moralising and disputing genuine nationality. Modern art, for example, was discredited as amoral and anti-national.¹⁶ The property-related and entrepreneurial differentiation was characterised as capitalist activities that were equal to rapaciousness and selfishness.¹⁷ As such, they were expected to be in opposition to the imagined Slovene character. The circle was thus completed.

The possible reasons for such a social atmosphere lie in the unbalanced social and educational structure. Thus, the entrepreneurial bourgeoisie as the propagator of progress in the economic and social field was non-existent. On the other hand the one-sided nature of the Slovene elites, which influenced the construction of social reality, was more than obvious. The representatives of

13 Jasna Fisher et al. (eds.), *Slovenska novejša zgodovina I* [Contemporary Slovenian History] (Ljubljana, 2005), pp. 24-120.

14 Lazarević, *Plasti prostora*, pp. 307-360.

15 Jurij Perovšek, *Na poti v modern* [On the Way to Modernism] (Ljubljana, 2005), pp. 15-80. Hereafter Perovšek, *Na poti v modern*.

16 Egon Pelikan, "Ideološka izhodišča cenzure v konceptih slovenskega političnega katolicizma ob koncu 19. in v prvi polovici 20. stoletja" [Ideological Starting Points of Censorship within the Concepts of the Slovenian Political Catholicism at the End of the 19th and the First Half of the 20th Century], in Mateja Režek (ed.), *Cenzurirano. Zgodovina cenzure na Slovenskem od 19. stoletja do danes* [Censored. The History of Censorship in Slovenia from the 19th Century to the Present Day] (Ljubljana, 2010), pp. 45-54.

17 Various articles in the *Narodni gospodar* newspaper, a gazette of the Cooperative Union published in Ljubljana at the break of the 20th century.

humanist disciplines (priests, teachers) and social science disciplines (lawyers) were prevalent within this sparse group. Their way of thinking was torn between the traditional and modern. It is not very risky to conclude that this mentality, with its focus still more on the traditional social and economic structure, was less favourably inclined towards modern economic and social developments.¹⁸

The aspect of ethnicity, which strongly characterised the Slovene space of the second half of the 19th century, also has to be taken into account in the assessment of the construction of the economic anti-modernisation atmosphere. Namely, it often seemed that economic modernisation went hand in hand with ethnic assimilation. In the eyes of the humanist elites, influencing the public discourse and identifying themselves in Slovenism, the opposition between the principle of national (ethnic) adherence and the principle of economic modernisation started to be established. Therefore the Slovene society was blocked, unable to open itself up to the modern world completely, as Dušan Pirjevec put it.¹⁹ Instead of focusing on economic efficiency, it emphasised the symbolic modernisation²⁰ in the form of national cultural institutions and organisations. In this context, cooperatives were encouraged instead of individual entrepreneurship. Cooperatives also functioned as a tool for establishing control and closing the borders of the Slovene ethnic community in the economic field.

The social atmosphere, disinclined to progress, was a consequence of the circumstances in which there was a lack of high-quality resources: human and natural as well as capital and technology. With regard to these developmental factors, the Slovene territory depended on the import of knowledge, capital and technology. Only since the 1880s did a more intensive process of economic development take place. A significant presence of technical personnel from other Austrian, especially Czech lands, taking care of the smooth technological process of production, was evident in more important Slovene companies. The Slovene environment, as a rule, supplied an abundance of literate workforce. This fact can be underlined as one of the more important characteristics of that time.

The period between the two world wars, after Slovenes had entered the Yugoslav state, brought many changes, as we have already indicated. We should focus on three of them which had significant consequences for the Slovene economy and society at that time. That includes the newly acquired self-confidence, somewhat swifter industrialisation in the 1920s, as well as the establishment of the University in Ljubljana and the organised technical study programme.

18 Vodopivec, *O gospodarskih in socialnih nazorih* [On Economic and Social Principles], pp. 151 – 221.

19 Dušan Pirjevec, *Vprašanje naroda* [The Question of the Nation] (1964), pp. 90-91.

20 The expression was used by John Kenneth Galbraith, *Economic development* (1965), p. 4.

The time between the two world wars was a period when the Slovene society stood before the challenges of transitioning to the new and different paradigm of development, social relations and the concept of economic and social progress. The national discourse lost some of its current edge and was gradually muted down by the development discourse, as the social problems were a burning topic in Slovenia too, and, at their core, actually represented a problem of development. According to all calculations, half of the rural population was “superfluous” in terms of their productivity.²¹ This is where the “in-between” position of Slovenia in terms of belonging to Eastern or Western Europe was most evident. The Slovenia of that time had problems both in relation to workers as well as rural problems. The working class population rose to such an extent that their social position was in urgent need of a system organisation. The rural problem was impossible to solve by means of an agrarian reform, as there was not plenty of land to be distributed amongst farmers. The rural issue could only be solved by means of a new development model, as other aspects of economic modernisation were impossible without modernising agriculture (increase of productivity).²² This is precisely where the change of the development model occurred, whereby the significance of raising education levels and the scope of knowledge on society and technology became relevant. At the turn of the century, the prevailing part of the Slovene elite directed most of their energy into the preservation of farming culture rather than to the entrepreneurial transformation of other sectors. Furthermore, the other pole of the Slovene elite was unable to bypass the structural social and economic matters, according to which the argument in favour of protecting the rural population prevailed over the entrepreneurial emphases.²³

The development model in the new environment thus had to answer the fundamental question of how to ensure the transition of the rural population into the industrial sector, and how to save nearly half of the rural population from poverty and despair. This was namely the only way to solve the social problem. To enable this, there were three basic problems that had to be resolved; namely, (i) the problem of the scope of investments (capital issue!) enabling economic growth and the generation of new jobs, (ii) the problem of promotion of the entrepreneurial spirit and stripping entrepreneurship of its negative connotations, and (iii) the problem of raising the general level and balancing the education structure.

The existence of the Yugoslav state meant that the circumstances changed in many ways, especially at the level of economic and social environment. A very important change also took place at the level of defining and comprehending the nation and the national question. Within the Yugoslav state, of which Slovenes

21 *Slovenec*, 13th June 1924.

22 Mojca Novak, »Periferna agrarna transformacija:slovenski primer« [Peripheral Agrarian Transformation: The Slovenian Example], in Neven Borak – Žarko Lazarević (eds.), *Prevrati in slovensko gospodarstvo v XX. stoletju* [Overthrows and the Slovenian Economy] (Ljubljana, 1996), pp. 23-36.

23 Perovšek, *Na poti v modern*, pp. 63-83.

formed a constituent part, the perception of the national question changed. As the state context altered, the danger of assimilation/Germanisation in the major part of the Slovene territory passed, which resulted in a more relaxed social atmosphere. The processes of »Slovenisation« of the economy, administration, politics and culture raised the social self-awareness. In the new situation, the feelings of social, cultural and economic subordination gradually disappeared. The consequences of the new self-conscience were multifaceted.

The process of increasing self-awareness was also accompanied by other processes, including or especially in the economic field. In the new environment Slovenia, despite its relatively modest developmental achievements, became economically the most advanced part of the state. Slovenes were a constituent part of a state that had a very important function. The state behaved paternalistically in order to compensate for the underdeveloped social and institutional environment and to promote swifter economic development. The state acted as a guarantor of the accelerated accumulation of capital, which was not in opposition to the Slovene wishes. In such a protectionist environment, after the relative level of prices changed in favour of the industrial sector, and in light of such a large market, industrialisation in Slovenia intensified. The encouragement provided by the Yugoslav market made up for what was otherwise a deficient institutional framework and spurred development. Industrial capabilities doubled in a relatively short time, and the scales of the national product or income generated already tipped in favour of non-agrarian activities.

It was important that economic development originated from the characteristics of the Slovene space: deficient educational level of the population, modest accumulation of capital and low technological level. Within the industrial sector, the branches developing most rapidly were those that did not demand a high technological level, but required a lot of workforce, which Slovenia had in abundance. Here we also have to underline the high literacy rate of the population. Furthermore, a relatively notable presence of foreign technical experts in the Slovene economy, overseeing the more demanding production and management processes, was also characteristic of this time. The characteristics of the educational structure remained the same. The Slovene population may have been 90 % literate; however, the extent of secondary school or university education was still modest and of limited scope.

However, changes also took place in this regard. The time between the two world wars brought about important changes in education, contributing to a gradual alteration/expansion of the educational level and structure. In the 1920s, the number of pupils enrolled in secondary schools doubled, and the number of students enrolled in the university increased as well due to availability.

This information does not only reflect the achievements of the general social development, but also the progress of the system of social values, school policy and accessibility of higher level education. The 1932 manual about the correct selection

of study courses attests to the wider backgrounds and social circumstances of the perception of individual professions at the academic level.²⁴ The messages conveyed to the readers were ambivalent. Already in the introduction, the author stressed his opinion about the necessity of higher education: »...education is a treasure, it is useful everywhere, without it one is worth less and less these days...« He took part in controversial debates about the impression of the »hyper-production of intelligentsia« present in the public, claiming that it had no real basis. But despite his sober outlook on the world of education, the author nevertheless dissuaded women from taking part in higher education, claiming that the abstract and theoretical emphases of the university-level studies were incompatible with the female way of thinking (emotional, vivacious, personal, concrete). He may not have assigned certain values to individual professions; however, certain implications of his emphases were quite meaningful. The space intended for individual professions was allocated in favour of the humanist and social science disciplines. In the wide range of vocations within the technical professions, the author evidently emphasises the difficult and demanding nature of these studies as well as the more limited possibilities for employment in comparison with humanist and social science professions.²⁵

The founding of the University with significantly more accessible courses introduced a new dimension in the Slovene space. As the technical studies and other social science disciplines outside of legal sciences strengthened, the composition of the educational level started changing. The educational structure became more balanced in terms of professions. Thus in the academic year 1931/32, 30 % of all students of the Ljubljana university were enrolled in technical programmes. The percentage of students at the Faculty of Arts and Faculty of Law was roughly the same.²⁶ The percentage of the technical intelligentsia among the intellectuals became much more prominent, even though from the viewpoint of economic development and requirements for controlling the economic processes at the level of technology and managerial work, the lack of the technical staff was still noticeable.

In the interwar period, the Slovene technical intelligentsia also affirmed itself. Not only did the graduates of technical and social science studies gradually enter the Slovene economy and take over the leading posts – their public role was also important. They entered the public space, introducing new emphases and new knowledge, unusual for the Slovene space. This breakthrough of the technical intelligentsia was made possible by both aforementioned elements: the University

24 Lovro Sušnik, *Akademski poklici* [Academic Professions] (Ljubljana, 1932).

25 *Ibid.*, p. 75.

26 *Ibid.*, pp. 67-68.

and better accessibility of education as well as industrialisation. Industrialisation played an especially important role – when it turned into an ongoing process, it needed a constant influx of properly educated and trained technicians and engineers, especially to achieve the transition to new technologies or introduce more demanding technologies in the Slovene space.

The vocabulary, intellectual framework and grasp of new professionals in the technical fields were different from the previous context – the established model in terms of contents, development priorities and hierarchy of social values, which the humanist intelligentsia – traditionally the most numerous group of intellectuals among Slovenes – identified with. The questions of culture and nation were no longer in the centre of their interests. The new professionals went beyond this and focused on technological issues, the question of applying the technologies to the production processes, the ways and manners of managing the technological and business processes, and the relationship between technology and society or their co-dependence. The conceptualisation and topics of their public appearances contributed significantly to the establishment of the new social atmosphere in the Slovene public, which started recognising and accepting with greater understanding the dynamics and multi-layered processes of economic and social modernisation.

The persistence of the technical intelligentsia in the fields of society and economy management technology with the purpose of achieving greater economy within the developmental dynamics introduced the need for new considerations of the developmental strategies and practices in the Slovene space. One of these intellectuals communicated the fundamental developmental dilemma in Slovenia to the Slovene public without any embellishment: »In Slovenia agricultural production will have to be increased; or the percentage of the agricultural population will have to be reduced by a half.«²⁷ This may have been expressed in a technical manner, but it was efficient and lucid, underlining an aspect completely overlooked until that time. Others tried to make sense of the Slovene economic position in the Yugoslav state. They made the society think about the dilemma of how to restructure the Slovene industry (economy) to ensure higher and more demanding levels of production, which required more knowledge, more complex technologies and capital. The completed analyses led them to conclude that the previous developmental model, involving the expected industrialisation of other Yugoslav regions, did not promise a permanent success.²⁸

These may have been small steps; however, they were very important in the Slovene environment. The principle of the comprehensive co-dependence

27 *Slovenec*, 13 June 1924.

28 Črtomir Nagode, "Naravne osnove smotrne upravne ureditve naše države" [Natural Foundations of an Efficient Administrative Arrangement of Our Country], *Misel in delo*, No. 11-12/1939, pp. 362-363; Stanislav Roglič, "Jesenice in Zenica" [Jesenice and Zenica], *Tehnika in gospodarstvo*, No. 11-12/1935-36, p. 227.

of society, economy and technology was introduced into the construction of social reality. The introduction of these concepts into the public space was also ensured with specialised magazines like *Tehnika in gospodarstvo* (Technology and Economy), *Misel in delo* (Thought and Work) and *Trgovski tovariš* (Commercial Companion), which brought together the humanist, technical and social sciences intelligentsia. The expansion of the scope of the debate in the direction of a multi-disciplinary approach to the comprehensive analysis of complex developmental relations between the society, technology and economy was an important intellectual achievement for the Slovene space. In the 1930s, a special scientific institution was also established: the Socio-Economic Institute, working on the studies of various aspects of social and economic progress. The establishment of this Institute was important, since for the first time in Slovene history the critical assessment and consideration of possible strategies and practices of socio-economic development was finally institutionalised – admittedly on the level of a society, but nevertheless.

The extensive presence of the technical intellect in the Slovene public and society is a part of the wider social process. It is a process of softening up the traditional economic model or the modernisation of the social and economic structure which progressed with greater intensity in the period between the two world wars. There is, therefore, a consensus in the Slovene historiography, the one indicating that the time between the two world wars, along with the more relaxed period taking place at the beginning of the 1920s, stands for a heyday of various forms of culture-related work in the field of artistic creation in fine arts, music and dance, literature, playwriting, theatre and architecture. The Slovene artistic creativity followed the modern artistic and cultural currents and enabled the transposition of current artistic poetic and aesthetic features into the Slovene space. By upgrading and modification, it also created outstanding national achievements. Great strides were also made in the field of re-creation, either in the form of professional or amateur culture. Furthermore, a great diversification of cultural institutions was taking place. At the level of scientific and intellectual work, an extremely important role was played by the University of Ljubljana, which enabled the communication of the Slovene space with the international environment, as well as the transfer and adoption of a plethora of knowledge that was new to Slovenia.²⁹

The intellectual activity, either artistic or scientific, opened in the public a question of the role of creativity and inventiveness, as well as its influence on social development. At the same time, it reflected on this issue from a critical distance. It enforced the social distinction made on the basis of artistic power or intellectual potential. By setting originality and critical stance as the principles of existence, it urged its audience to display its own individuality in all areas of

²⁹ "Kultura 1918-1941«, Jasna Fischer et al. (eds.), *Slovenska novejša zgodovina I* [Culture 1918-1941, Contemporary Slovenian History] (Ljubljana, 2005), pp. 415-440.

life. The engagement of the Slovene technical intellect in the period between the two world wars must also be regarded within this broader process of invigorated intellectual pursuits.