

**Prof. Miroljub Shukarov. PhD**

**Associated Professor, South-East European University – Tetovo, Macedonia**

## **Macedonia: Transition – Widely Perceived as Unsuccessful Project - state dominance in social and economic life**

### **Global remarks**

The Republic of Macedonia was one of the poorest republics in former Yugoslavia and now is one of the poorest countries in Europe. GDP per capita in terms of the purchasing power parity is about a quarter of the European average. After an exceptionally unfavorable period in 1995-1998 and the post conflict period 2001-2004<sup>1</sup>, GDP growth rate in Macedonia start getting higher in the past few years<sup>2</sup>. The two last years as a consequence of the world economic crises the GDP growth rates plunged at almost a ground level<sup>3</sup>.

The global financial crisis had a significant impact on the Macedonian growth rate in 2009. Macedonian GDP considering purchasing power parity per capita<sup>4</sup> in 2006 reached 28%, of purchasing power per capita in the European Union (EU 27), 31% of Slovenia, 54% of Croatia, 76.7%

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1 In that period growth rate did not surpass 1.5% per annum.

2 4.1% in 2004 and 2005, 3.7% in 2006, 5.2% in 2007 and 4.8% in 2008.

3 -0.9% in 2009 and 0.7% in 2010.

4 According to the State Statistical Office, Current information no. 3.1.8.04, the methodology of calculating purchasing power parity is described in order to calculate purchasing power of GDP in Euros and the purchasing power of the Euro in different countries.

of Bulgaria and 72.5% of Romania. Purchasing power in Macedonia and Turkey were about a quarter lower than the lowest values of European Union countries (Eurostat Unit F.3, 2008). Newest data on GDP per capita has shown Macedonia to have reached 30.9% of the European average in 2007<sup>5</sup>, which is slightly better than in Albania (26%) and the Bosnia and Hercegovina (28%). It is a result of the exceptionally low growth rate in comparison to the countries in the region in the past five years.

The relative plunge behind is even larger if compared to European Union countries. Macedonia has 26% GDP per capita of the EU-25 average. There are extremely high regional development differences also. The capital Skopje is 50% above national average. This is a result of large differences in investment in infrastructure and income compared between the capital and rural areas (Euro-Balkan, 2007).

Macedonian economy is small with a specific structure. Maybe that is the reason for the lower spilled-out effects of the global economic crisis on Macedonian economy compared with the countries with higher participation in world international trade. Firstly, small economies make advantage of specialized production, at least since they are based on economies of scale. Secondly, business sectors with growing economies of scale are mostly vital if they have guaranteed export demand (Muggal, 2009). However, Macedonia is relatively a small country with exceptionally import dependent economy. In the same time exports are highly elastic on foreign or global current economic conditions. Its import demand is relatively inelastic (energy, food) and export capacities are limited, non-competitive and highly dependent of the global economic effects (textile, metal products, vine). Therefore, in 2009, when the world economic crises reached the climax, the Macedonian economy demonstrated exceptionally low decline<sup>6</sup> in comparison with the other European and neighboring countries. When the first crises wave stroked the import was considered necessary for expected new export cycle. When it became obvious that export efforts were in vain due to more stressed protection measures introduced by countries which were the Macedonian largest international trading partners, the import also rapidly declined. This overturn positively affected the GDP decline and had an influence on slowdown the foreign exchange reserves drains<sup>7</sup>.

Problem of Macedonian low absorption power is particularly affected by the suboptimal economic structure, which is both unfavorable and inadaptable in the short run to demands imposed by significant international competition. The neighboring countries and those with similar income characteristics, adapt themselves faster to the new economic conditions and global market demands.

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5 Eurostat, Statistic release 25/2010, 18. February 2010, and in 2008 it can only be higher, taking into account the relative large GDP decline in European countries in comparison to Macedonia, due to the higher impact of the economic crisis.

6 Followed by extensive emptying of foreign exchange reserves since it was not accompanied by rational reduction of import and expanded exports.

7 In 2009 volume of foreign trade was only 1/3 of the normal volumes reached a few years before. That was affecting the growth rates mostly and growth dominantly was based on domestic demand.

**Table 1 Selected basic indicators per groups of countries**

Indicator	Macedonia		Countries with high to mid income		European Union	
	1990	2008	1990	2008	1990	2008
Gross investments	18.7	24.1	21.9	23.5	23.3	21.6
Export (% of GDP)	25.8	56.0	20.2	27.8	27.1	40.9
Import (% of GDP)	35.9	77.3	18.0	27.3	27.6	39.2
Agriculture (% of GDP)	8.5	11.3	10.4	6.0	3.5	1.8
Industry (% of GDP)	44.5	28.4	38.7	32.5	32.5	26.7
Services (% of GDP)	47.0	60.3	51.0	61.4	64.1	71.5
Goods turnover (% of total turnover)	88.4	113.7	30.0	52.5	44.0	67.3
Market capitalization of quoted companies. (% of GDP)	2.2	8.6	38.2	45.5	21.1	85.3
High technology export (% of total industrial export)	2.1	0.8	12.7	/	/	/

Source: <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/0,,menuPK:476823~pagePK:64165236~piPK:64165141~theSitePK:469372,00.html>

This inadaptability, expressed by the export and import shares in the GDP, simply looking at the data of the high relative share of the primary sector contribution in generating GDP, as well as in a high share of traded goods and a low capitalization of quoted companies.

The most of the economic and social problems have a long-term character and there is no serious possibility for improving economic structure in a short run, especially not without huge foreign direct investments. High share of the primary sector, along with the labor market situation, insufficient and uncompetitive secondary sector, which should be the main employer of active population, contribute to a large structural unemployment that cannot be recovered in a short run.

The influence of the big crisis in the world was noticed by Macedonian authorities in the last quarter of 2008 and fully in 2009. The crises dramatically caused decline of the budget earnings that cover social transfers with a strong indirect<sup>8</sup> impact on almost all of the economic indicators (GDP, deflation, budget deficit, capital investments, export, and import). Public earnings dropped, capital investments (foreign and domestic, private and public) decreased also. Very high unemployment rate become even higher, particularly in the export oriented industry. The government did not try to look for the real reasons and possible consequences on economy, and to try to implement some measures which could minimize the negative crisis influence. On the contrary government tried to find only the excuses for the negative results and to find a way how it can be turned into a political advantage of the ruling political party (all others suffered more than Macedonians, and opposition is responsible for the

<sup>8</sup> Indirect effects because Macedonian banks did not have any investment problems regarding the “toxic assets” in problematic foreign banks. They did not internalize the world financial crisis through banking and insurance businesses. The whole crisis enter in Macedonia through the real sector as a consequence of losing the export contracts with the traditional international trading partners from the developed countries.

bad economic situation). The most of the reasons for the vulnerability of the Macedonian economy was ascribed to “shameful transition from ’90-s”.

The transition process in Macedonia enforce the logic for open markets and to enable international influence in order to create competitive real sector which should influence higher efficiency and employability. The need for more opened economy to global markets, especially to European Union, is clearly and widely accepted. The Stabilization and Association Agreement between Macedonia and the European Union was concluded in 2001 and Macedonia become the member of the World Trade Association opening the borders for foreign competition. It defines series of obligations and benchmarks essential to meet basic requirements for full membership in the European Union. Macedonia received candidate status for membership in the European Union in 2005. In October 2009, the European Commission recommended Macedonia to begin negotiations for full membership with the European Union, after fulfilling a certain number of prerequisites, and after resolving of the “name issue” with the Republic of Greece. The recommendation was repeated in the European Commission’s report in October 2010, too.

Missing the long-term sustainable GDP growth based on investments and increased exports, and turning to growth based just on domestic demand (especially demand generated from government agencies based on debts) had a serious impact on several significant problems: (1) government trying to copy, in a certain extent, some of the economic policies pursuant to experiences of the more developed countries based on high budgetary deficits, **started to borrow money on the domestic money market and from international financial agencies and banks** increasing significantly the level of overall indebtedness of the country. The idea was to start massive construction activities which might affect higher GDP growth multiplication. That might have an influence on creating higher dose of optimism among business people to be encouraged for new investments and new job creation. (2) Unfortunately only the budget deficit was the result followed by overall **perception that all the economy depends on government** (directly or indirectly) **will**. That is well known “crowning out” effect. The first and only requirement for the transition – the higher participation of the private sector in economy was literally recalled. (3) **Government started generating jobs** (in government agencies - not in private sector), so the normal people’s perception prevailed that being close to the ruling political party could solve most of their subsistent problems – including finding job. The Macedonian unemployment rate is among the highest in Europe (higher than 31%).

Economic long-term problems and prevailing political logic in economy have a significant impact on a quality of social life, social and political freedoms too.

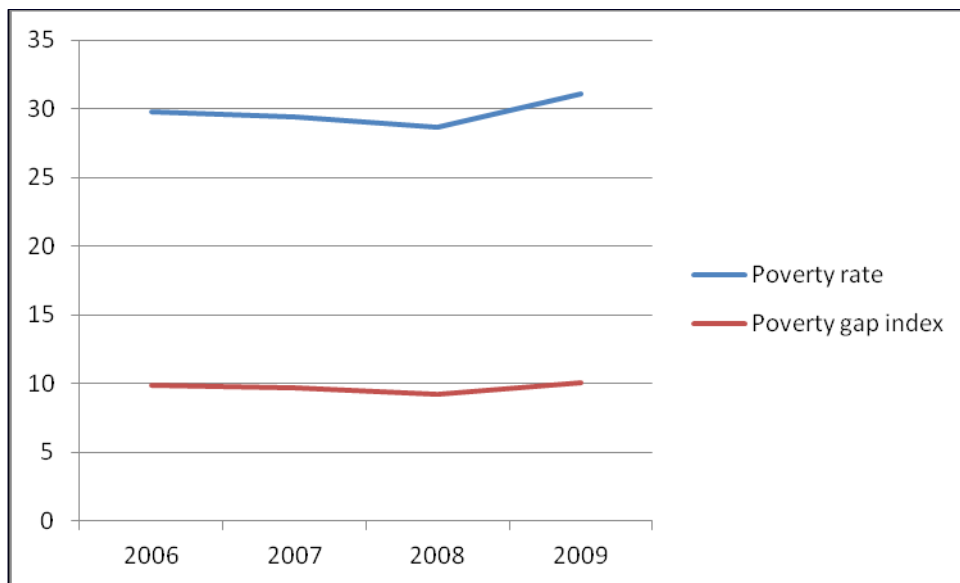
Macedonia was ranked on 72<sup>nd</sup> place out of 158 in the world according to Human Development Index 2009 (HDI)<sup>9</sup> before Brazil, Bosnia and Herzegovina and Turkey, according to a numerous indicators (average life expectancy, adult literacy rate, gross enrolments in school, GDP per capita). HDI for Macedonia in 2009 is 0.817 which is almost identical with Russia and Albania, but significantly lower than in Slovenia (0.917), Croatia (0.850), and even Montenegro (0.822). In the HDI Report 2010 Macedonian rank is improved (4 places), but HDI index is worsen from 0.817 to 0.701). Macedonia is on the lower position than Croatia (0.767), Bulgaria (0.743), Serbia (0.735), Kazahstan (0.714), Bosnia and Hercegovina (0.710), Ukraine (0.710), Iran (0.702). And have better position than Brazil (0.699) and Turkey (0.679).

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<sup>9</sup> <http://hdr.undp.org/en/statistics/>

The poverty rate<sup>10</sup> had continually been increasing since 1997 until 2002, and stabilized at 30% in 2007 (Muggal, 2009). In 2009 the poverty rate was 31.1, in 2008 was 28.7%, in 2007 it was 29.4 and in 2006 it was 29.8. Poverty gap index was 10.1 in 2009, 9.2 in 2008, 9.7 in 2007 and 9.9<sup>11</sup> in 2006.

Figure 1 Poverty rate and Poverty gap index



Source: State Statistical Office, 4.1.9.59, from 03.09.2009

<sup>10</sup> Poverty rate is defined as “poverty threshold” or “poverty line” which is the minimum level of income deemed necessary to achieve an adequate standard of living in a given country. “Absolute poverty” quantifies the number of people below a fixed real property threshold. Absolute poverty is arbitrary to some extent, the amount of wealth required for survival. The term is also used to define status of extreme poverty, or as the absence of enough resources to secure basic life necessities. Copenhagen definition (1995) define absolute poverty as condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education, and information. It depends not only on income but also on access to services.” Relative poverty” can be defined as having significantly less access to income and wealth than other members of society. Can be directly be linked to income inequality. Relative poverty is defined as an income below 60% of the national median equalized disposable income after social transfers for a comparable household.

<sup>11</sup> State Statistical Office, 4.1.9.59, from 03.09.2009.

Poverty is a significant dimension of social exclusion. Poor people are often also excluded and marginalized from other dimensions of public life, such as participation in the labor market, or cultural and civic activities. As might be expected, there is a high correlation between income poverty and social exclusion. However, income poverty is not always a prerequisite for exclusion in other dimensions. For example, people can have sufficient incomes but be barred from exercising direct political influence or are not able to participate in social and civic activities. A person with a disability may have sufficient income through social transfers but on the other hand could be excluded from participating in the labor market and from social, cultural and civic opportunities. Social exclusion is therefore encompassing areas of human life that people value and may be neglected by traditional income poverty measures.

The social inclusion policies are oriented toward protection of people who are at risk of poverty and social exclusion, by providing equal opportunities and support for active participation upon employment and education, as well as by providing access to public services in the area of housing, health care and other public services. Those policies tend to provide enhanced participation at local level in decision making that affects human lives, so people have equal chance to participate in local self government institutions regardless of their gender, age, social status, ethnicity and capabilities.

### **There are a lot of socially excluded groups in Macedonia?**

There is no nationally accepted definition of social exclusion in Macedonia (European Commission, Euro Balkan, October 2007). In 2004 Ministry of Labor and Social Policy defined four target groups of socially excluded part of the population:

1. Drug addicts and members of their families;
2. Street children and their parents;
3. Family violence victims; and
4. Homeless people.

It is obvious that these four target groups are only a narrow categorization of the people that experience social exclusion. People may be vulnerable to social exclusion due to a variety of individual characteristics (age, sickness, disability, poverty, sexual orientation, migrant status, sex, age, religion, race, ethnicity, language, political party affiliation, or location). According to the definition above, social exclusion occurs when people experience multiple and mutually reinforcing deprivations in various dimensions, such as economic exclusion, exclusion from social services, exclusion from cultural opportunities and political participation. Economic exclusion refers to the limited access of people to the labor, financial and housing markets, to goods and services. This leads not only to poverty, but also to reduced access to services such as education, health care, social insurance, etc. In terms of social exclusion, there is a closed cycle of unemployment, poverty and social isolation. "Different components of the impact of social exclusion create a spiraling insecurity that results in multiple deprivations. Exclusion usually begins by loss of the job position, which leads to significant degradation of living standards and results in increased risk of poverty. Poverty creates additional difficulties in job seeking, being a condition to enter long term unemployment" (UNDP, 2006). Evidently this affects the growth of social exclusion and future individual stigmatisation. It is a vicious circle. Poverty and social exclusion further lead to lack of social networks and reduced opportunities to participate in cultural and political activities. Multiple failures to find a job

demoralizes people and creates an impression that the community has abandoned them (gave them up). This is a sufficient enough reason for them to withdraw from social life, ashamed of their incapability or losing faith that new attempt would change something. Young people often succumb and become prone to criminal activities, whereas older people leave the labor market (UNDP, 2002).

**Table 2 Review of employment and unemployment rates in selected countries**

Country	Unemployment			Employment
	2006	2007	2008	2008
Albania	13.8	13.5	..	29.8
Bulgaria	9.0	6.9	5.6	48.8
Croatia	11.2	9.6	8.4	37.6
Estonia	5.9	4.7	5.5	48.0
Greece	8.9	8.3	7.7	42.0
Italy	6.8	6.1	6.8	42.2
Luxemburg	4.6	4.2	4.9	71.5
Romania	7.3	6.4	5.8	44.0
Serbia	20.9	18.1	13.6	38.4
Slovenia	6.0	4.9	4.4	48.5
Turkey	8.4	8.5	9.8	28.5
Macedonia	36.0	34.9	33.8	29.8

Source: UNECE Statistical Division Database

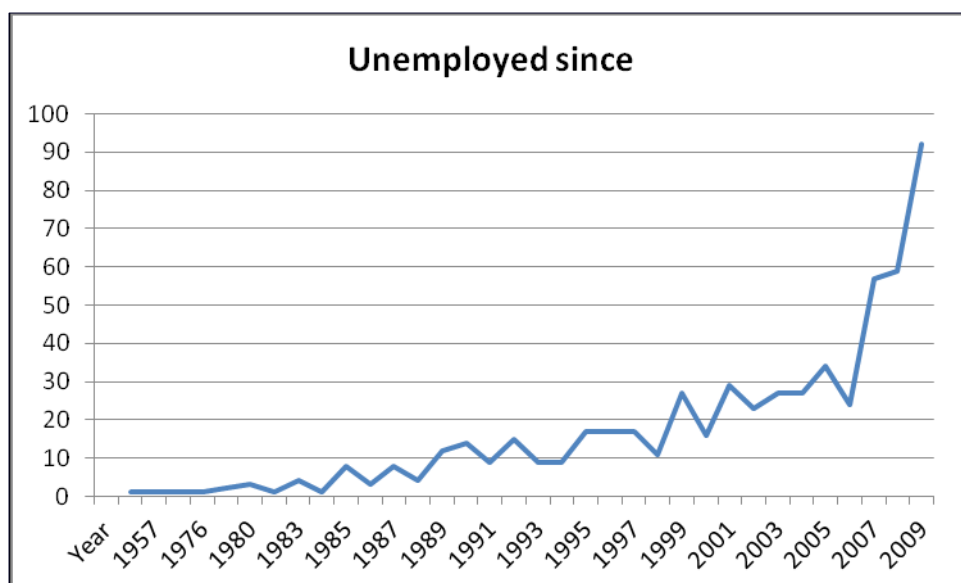
Unemployment appears to be a major driving factor of social exclusion in Macedonia. They maybe victims of the transitional processes, as well as victims of the low absorption capacity of Macedonian economy or they may be victims of other reasons such as the educational structure or tradition and insufficiently developed financial system (both in terms of volume, as well as structure of the financial system).

The liberalization of markets (local and foreign) which was introduced during the transition, created a rise of competition, however it affected the unprepared economies to start suffer economic and financial loses, which in turn directly influence the prices increase in short run, as well as the dynamic increase of unemployment rates. According to the data of the survey<sup>12</sup> the situation did not seem as favorable as the in Central and European countries, on the contrary:

Figure 2 Dynamics of unemployment

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<sup>12</sup> A relatively large (2,700 respondents per country) nationally representative survey covering the four spheres of exclusion (economic, social, cultural, political) has been carried out in November-December 2009 in the six countries (Macedonia, Ukraine, Moldova, Serbia, Kazakhstan, Tajikistan, referred to as “Social Exclusion Survey 2009”).



Source: Social Exclusion Survey, 2009

It is evident that there was a fierce increase of unemployment rates during the several past years which could not only be a result of the transition effects. Macedonian privatization process was completed in 2005 when Privatization Agency was closed<sup>13</sup>. It is notably interesting that those main trends of increased number of cases of losing the jobs happened in period of significantly expansion years (2007 and 2008) when the entire Macedonian economy showed high growth rates. During the year 2009 a change course of the unemployment rate was not evident, which could be considered as a result of notably recessive market moves of the Macedonian economy. Most of the layoffs in every period from 1989 to 2009 affected the people with secondary vocational (48 to 56%) and basic school (14 to 18%). Percentage of participation of men and women was almost the same in all the analyzed groups and periods. That could lead to conclusion that a sort of the economic structure adjustment was happening in all the previous periods, and not in the early transition period only.

Table 3 Structure of unemployment (Percentage of people unemployed by gender and education)

Period/education	Gender	Basic	Secondary	College, university
Up to 1989	Man	44.4	40.7	11.1
	Woman	37.5	45.0	16.7
From 1990 to 1995	Man	30.4	30.0	16.7
	Woman	30.0	60.0	10.0

<sup>13</sup> Macedonian Privatization Agency stopped working on 01.October, 2005.



From 1996 to 2000	Man	17.0	66.0	17.0
	Woman	18.9	63.5	7.9
From 2001 to 2005	Man	20.8	58.5	20.8
	Woman	18.9	63.5	7.9
From 2006 to 2008	Man	15.8	68.4	15.8
	Woman	16.9	63.8	19.3
From 2009 -	Man	13.0	67.4	19.5
	Woman	15.2	60.8	23.9
Never worked	Man	24.3	57.0	18.7
	Woman	39.6	40.6	19.8

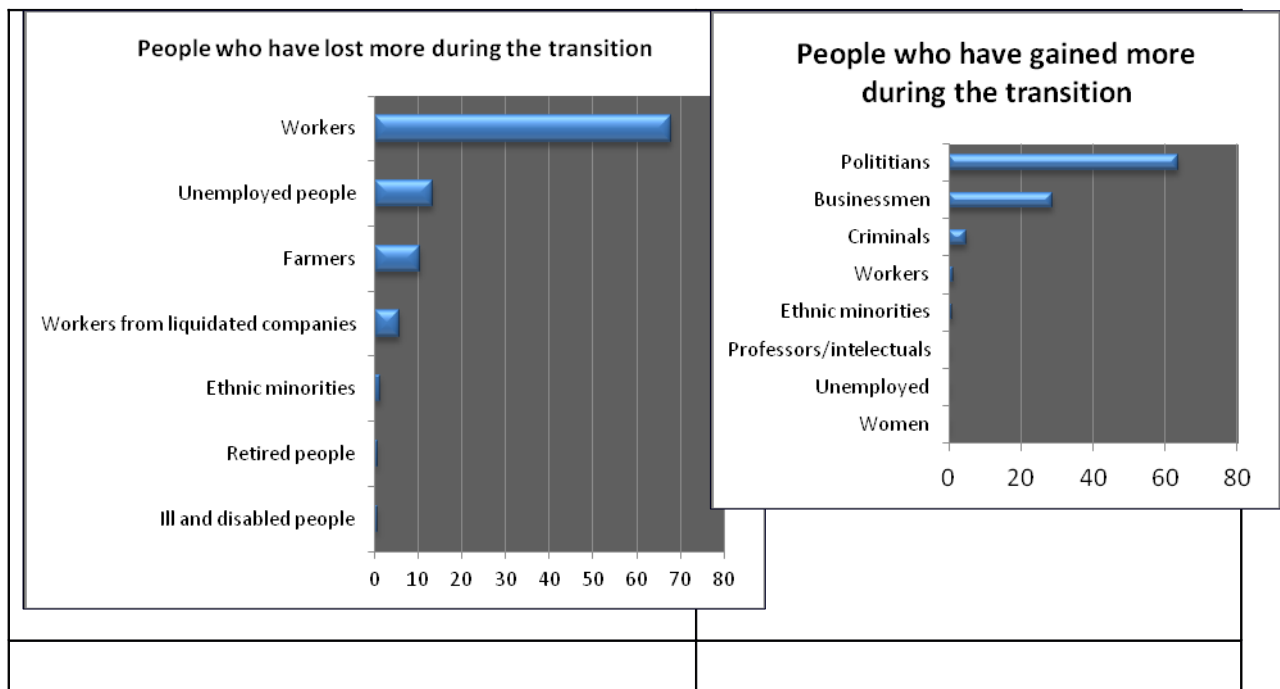
Source: Social Exclusion Survey, 2009

This research commences from its basic definition of the group which consists of young people, recognized globally as persons between 15 and 24 age. Nonetheless, there is a need of devoting special attention to the age group of 27 year-olds since they have become affected by the natural shift of the age limit for young people to be considered adults. Namely, the young because of their wish to complete the highest attainable form of education are marrying much later and have their first children later in their lives. This is why we analyze an additional group which was introduced with the adoption of the Law on Mandatory High School Education shifting the group of young people who affect the employment process. If, until recently, it was a regular practice to set the margin of active population from 15 years of age upwards, today this margin has shifted to 19 years of age thus the range from 19 to 27 years of age has become ever more interesting. This before mentioned law is postponing (but it is not solving) the problem of unemployment for four additional years. In 2012 the first generation of young people should finish mandatory middle education and some of those young people should face the postponed, but even more exposed problem of low creation of jobs in private sector.

### **Changing values and perceptions during the transition process**

During the past 20 transitional years, many changes have occurred. Nonetheless, the perception of the negative effects resulting from the transition has become largely evident. A response to a question on which two categories of people have lost most during the transition, posed at a survey, was generally unanimous (by addition of the two prevailing responses, the total is more than 100%): the employed lost most (85,6%), the unemployed (32,1%) and the farmers (36,7%) while it is estimated that the people who gained most were the politicians (86,9%), the businessmen (72,4%) and the criminals (10,6%).

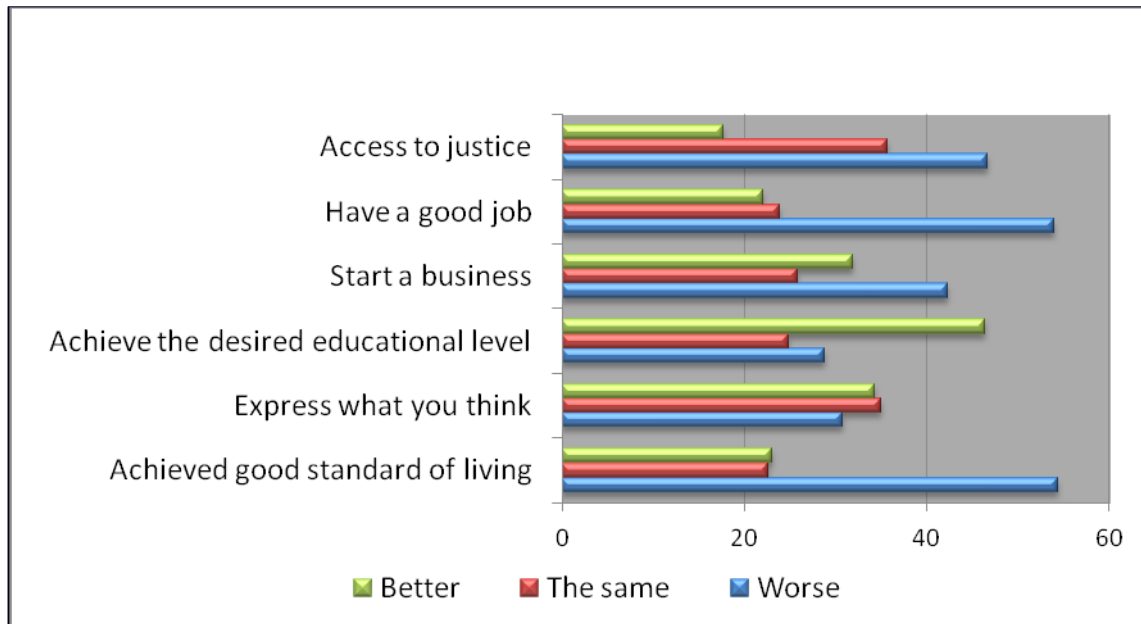
Figure 3 Perceptions about losing and gaining from transition



Source: Social Exclusion Survey, 2009

The perception about the effects of the transition could be described by analyzing the responses to questions dealing with comparison of the current situation with the pre-transitional one prior to 1989. Responding to a question whether or not the possibility to achieve the desired education level was worse, the same or better than the one prior to 1989, most of the respondents said that it was worse before in comparison with current situation. All the other perceptions of aspects of the normal quality of life seem to be deteriorated. Access to justice, possibility to have a better job, or to start a new business, or to achieve good standard of living are perceived to be worse nowadays.

Figure 4 Opportunities in 1989 compared to today



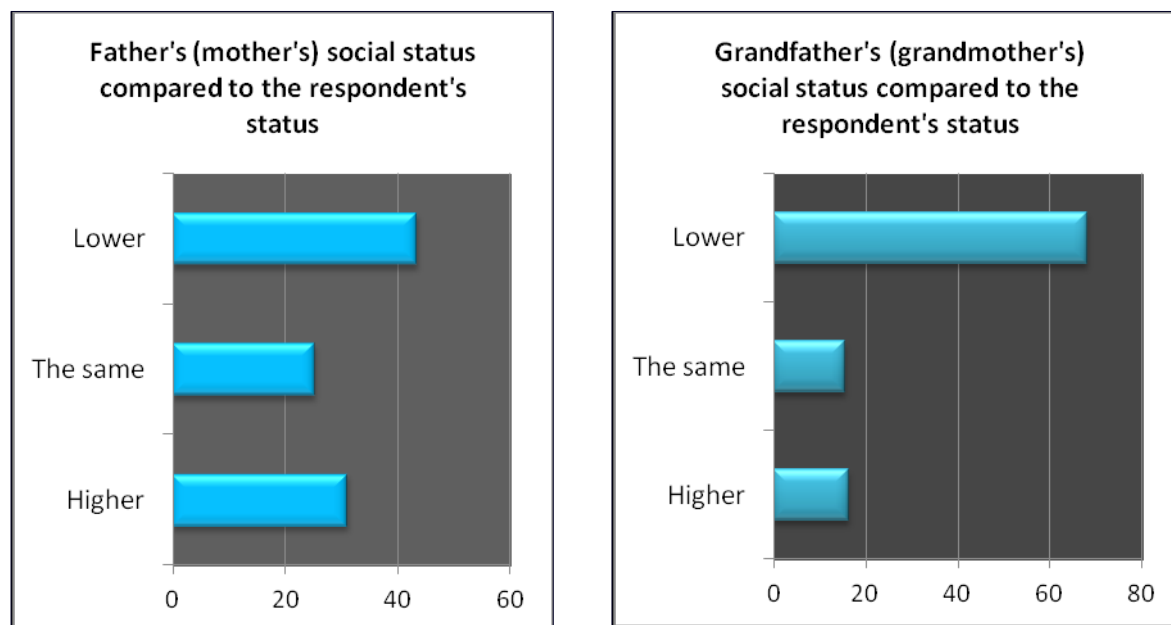
Source: Social Exclusion Survey, 2009

The respondents gave divided answers with regard to freedom of thought, responding that it was the same as under the previous system in 32,5%, that it was better in 31,9% and worse in 28,6% of all responses. In terms of the quality of education 42,3% of respondents felt that it improved since 1989 and 26,3% that it has worsen. There is a very interesting statistics in regard to the perception of starting a new business prior to 1989 and now: most of the respondents said that they have an impression that the situation has worsened (37,7%) and that it is better in 28,4% of the responses. Regarding the question whether or not the current job has gotten better, approximately half of the survey respondents (48,8%) answered that it worsened, whereas only 19,9% of respondents said that it got better. Finally responding to the question whether or not the judiciary has improved its work or its work is worse than under the previous regime, most of the responses were that it gotten worse (42,0%), and that it is the same as before (32,2%).

Only 15,8% feel that the judiciary is doing its job better than before. Generally, if one takes into consideration each of the responses he/she might conclude that respondents are dissatisfied with the results of the transition, mostly in terms of the weakening of the economy.

Nonetheless, the perception of quality of life can be drawn from the responses of the following question “Did your father have better social position than yourself?”

Figure 5 The quality of the social status between generations

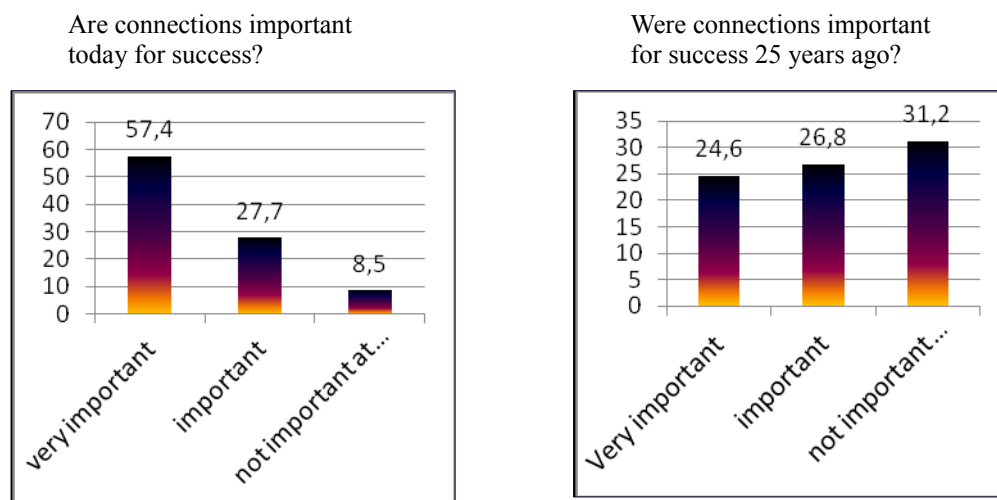


Source: Social Exclusion Survey, 2009

In 40% of the respondents declared that that their fathers had worse social position than them, in 28,7% better and 23,3% the same social position. The point of view is similar when people were asked about the conditions of life of their grandfathers: in 52% of responses the answer was that grandfathers had worse life than the respondent, and 12% of responses were given to both of the other cases, i.e. grandfathers lived as good as the respondents and even better.

The data in the survey of whether or not nowadays is important for the respondents “to be connected with people who have political power in order to be successful” is quite interesting. 57,4% of the respondents declared that connections are “extremely important,” while 27,7% answered that it is “important” (a total of 85,1% of respondents claimed it was either “extremely important” or “important”) and only 8,5% stated that it is “not important at all”. An interesting fact is that only 24,6% of respondents felt 25 years before it was “extremely important” to have connections with political figures and 26,8% claimed that it is just “important” or combined 51,4%.

Figure 6

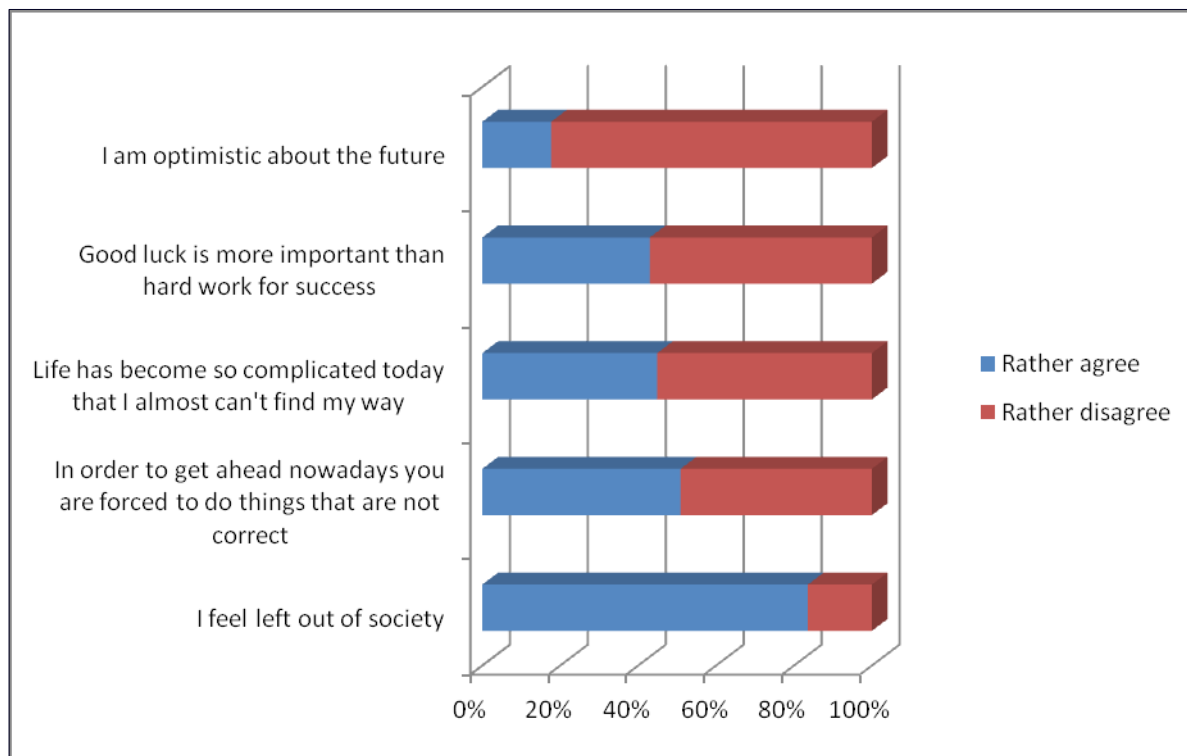


Source: Social Exclusion Survey, 2009

The perception that “25 years before it was not important at all” to have connections with politicians was stated by 31,2% of answers or almost four times more than for nowadays. This perception is little bit puzzling if it is well known that twenty five years ago, that was essential characteristic for socialist systems in general, most of the important business decisions, staffing or social issues were made by political figures or organizations. Every important decision was reached by either a politician or by the state, and still respondents today, in a prevalent capitalist system, and market based economy have an impression that state or political figures exert more influence. Therefore, most of the respondents think that discretionary influences of politicians of today are much stronger than under the socialist regime. Probably this is why many of the respondents have the feeling that the easiest way to solve personal problems is through activities inside political parties. But it is quite interesting if the same question should be analyzed by the age groups of the respondents.

Even the young people have impression that 25 years ago it was **not** very much important to have “good connections”, or that extremely low number of respondents answered that it was essential or important in comparison with the importance to use those connections nowadays to have success in life.

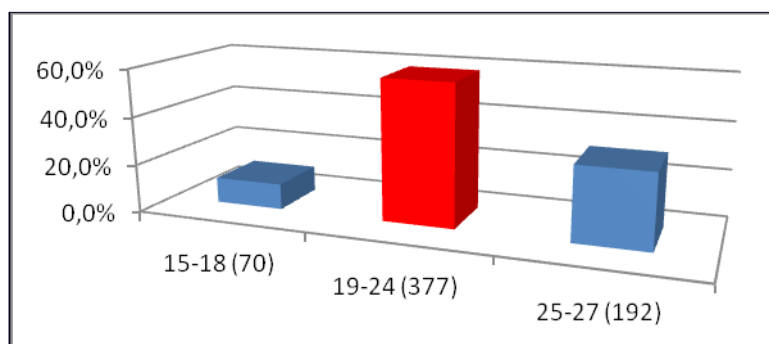
Figure 7 Different positioning according certain perceptions - general public



Source: Social exclusion survey, 2009

People in Macedonia also have the impression that they are being left out of society. **72 percent of people feel left out of society.** This is felt by 79 percent of **Macedonians and indicates a huge fragmentation of the Macedonian population.** Among those who feel left out, there is a high percentage of women (55%), youth (80%) and people with higher levels of **education.** This indicates a matter of deep economic and social crises which do not give many opportunities even for the most educated people. Next Figure shows that the 19-24 aged youth feels most left out.

Figure 8 I feel left out of society – youth group’s ratio related to “rather agree” answers



Source: Social Exclusion survey, 2009

A key barrier perceived by youth with regard to accessing the labour market is party affiliation. General conclusion is that “If you are not related with a party you cannot even get a job”. “There is job for everyone, but what is pushing us back is politics, employment with party membership cards”. In this regard, distinction was made between “before” and “now”. – “When my father was young, diploma was required so that he can get a job, and now, only political connections are important”.

It comes to the point that political, or even better party membership is becoming dominant in defining the youth future. Economic and social motives are losing power.

Nevertheless, it was pointed out that the political criterion for employment carries its own bad consequences – “the political employments are not secure. As soon as another party comes into power, they will fire you immediately, or they will send you somewhere far away from your place of living so you can give up yourself”.

The party membership criterion, according to the statements of the participants in the focus group young unemployed persons from the rural areas, includes another mechanism for selection – the level of education. Namely, the young people from the rural areas, especially the members of the Albanian community, believe that the educational structure of the Party Leadership, where the majority are persons with a lower level of education (mostly middle level of education, college), is an additional handicap for the persons with university level education – “the ones with college education have more rights than the ones with university education” (Albanian respondent) (BSC ESTEK Enterprises for Research, Consultancy and Services, 2010).

### **Concluding remarks**

A lot of prejudices are prevailing the people’s perceptions about the transition results. Most of the people think that transition was criminal, non-transparent, that the model of transition was not appropriate, that only chosen individuals, close with politicians, gained. The most of the people think that transition is the source of the most present economic problems. The truth is that people are not satisfied with the transitional results. Mostly from economic point of view. It was expected that economic efficiency should be improved, the unemployment lowered, standard of living should be closer to European average. It becomes obvious that a lot of people lost their jobs, most of the people are living in risky conditions, that they do not have enough money to go for summer holidays, as they did before, they have to economize, even on the food and all other sustenance goods, in everyday life. Risk of losing the job or economic security, becomes the part of the normal way of living. The normal consequence is widespread opinion that transition is responsible for all the evil in the country. No one wanted to argue with the public opinion that transition is not the reason for the bad current economic conditions. That the same situation would be present even if the government did not take any transitional steps, because of sub-optimal Macedonian inherited economic structure, lack of business capabilities, lack of serious business connections and competences. Most of the people had impression that everything before was good and that transition and privatization destroy everything transferring a lot of the social wealth in private hands. Politicians did not want to attract the odium on themselves protecting the transition, so prejudices started to overwhelm all the reality.

Politicians did not put the emphasis on the real economic and social problems and they did not want to find the way for their solution. They put an emphasis on finding the arguments to accuse the “other” (political opponents) for the situation. The missing point was emphasizing the investments

and exports based on quality. The result was suboptimal economic structure incapable for stronger international competition. The economy was based on imports enabled from the massive remittances from people living abroad. That appears to have an influence like “Dutch effect” for Macedonian economy putting the future economic prospects in jeopardy.

Most of the tensions between the different groups in Macedonia are connected with political and ethnic differences. Dominant economic arguments based on low level on development, high level of unemployment and poverty, were the good basis for appearance and maintenance the significant political and ethnic tensions. Those tensions are supposed to be considered as normal consequence and acceptable behavior of the population on that low level of development and living standard. That is to be expected because there is a widespread perception that the most of the economic problems could be solved only through the political party activity, and that the members of the “other” political party are the enemies who are going to put in jeopardy security of their jobs and a better position in the society if they win the elections. The question is so crucial that different political opponent groups take the position of “to be or not to be”. That is why the tensions between the political parties are so deep. The picture of intensively domination of the politics in everyday life is prevailing. It seems that everything depends on politician’s wills in the country, from private commercial and investment decisions, to news generated in newspapers and electronic media, or public tender procedures which could give the right of the “chosen groups” close to the ruling political party to earn a fortune.

Other tensions could be mentioned but are not so significant, such as: tensions between managers and employees and between poor and reach people. This tensions derived from the politically enforced stereotype that reach people become reach through “the criminal privatization” using their political or other governmental influence, position or connections to take away the ownership from “those who created everything in the companies (workers)”. The most of the people cannot accept the truth that some of them who were previously on the same economic level in socialism are now successful businessman, having higher standard of living and enjoy significant wealth, social position and power. The easiest way to explain the change is to widespread the “truth” that “rich people succeeded by criminal activities”, and that the “honest people are poor hard working people” who created everything in the country, but that they were thrown out from their factories and businesses just because the politicians and criminals created conspiracy against them to take away everything worth in order to privatize what they did not earned and deserved.

Transition, after 20 years, is still very sensitive question. The political and ethnic tensions are usually exercised as a political instrument especially in election times. Political parties consider this tensions as a good vehicle for building the political advantage against their political opponents – as more radical attitude they have (against political opponent or against “other” ethnic population) as higher is the political advantage and support which is expected from the electorate. Political parties have perception that insisting on higher level of differences among the people should influence their higher possibility to strengthen their political position and increase the chance to win elections. That is increasing the level of differences and animosity between the people not only in election times. That is prolonging the election campaign period for a whole period between elections. The people in Macedonia have impression that they are living in period of continual and stressful never ending election campaign.



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