

## BRAINSTORMING THE FUTURE OF MACEDONIA

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*"Happiness cannot be brought by the state, nor by the system, nor by a political party. Man is the only one who can create happiness. Therefore, the avant-garde forces of socialism and socialist society may have only one goal - depending on the opportunities offered by a given historical moment, to create an environment where man will be as free as possible in his personal expression and creation and be able - based on the social ownership of the means of production - to work freely and create for personal happiness. This is self-government."*

By: Edvard Kardelj (1977): "Directions of the Development of the Political System of Socialist Self-Administration." Communist, Skopje

### THE WORLD IN A LASTING CRISIS

Prior to COVID-19, the pandemic was the global financial and then the economic crisis of 2007. Before that, we had the dot-com crisis of 2000. For three decades, the world has lived two ideology frames simplified in the books *"The End of History and the Last Man"* by Fukuyama (early 90s) and *"The Clash of Civilizations"* by Huntington (second half of the 90s). While the considerations of the first book brought the socio-economic globalization paradigm based on the liberal capitalism introduced by the Washington Consensus, the second book brought the religious and cultural phenomenon of humanity as a field for conflicts that continue to exist till nowadays.

After the financial and economic crisis of 2007, mankind had the opportunity to curb the *animal spirits* (Adam Smith) and the *global minotaur* (Yannis Varoufakis), i.e., the intercontinental business interests of the *military-industrial complex* (Dwight Eisenhower) supported by the banking sector embedded in the *casino capitalism* (J. M. Keynes and Susan Strange). But instead of the expected structural reforms and the spillover of money produced in the kitchen of quantitative easing (a beautiful intellectual expression for money printing) to those who are most in need – the people (the most vulnerable) – that freshly created liquidity was shared among those who produced the 2007 financial and economic crisis.

Thus, the unresolved issues of tectonic conflictuality, now reinforced by the COVID-19 risks (regardless of the controversy over whether it was artificially created to satisfy the interests of global actors), led to the birth of a new global post-globalization paradigm that will essentially contradict globalization and will make countries re-examine, introspect and strengthen their national interests (already announced by President Donald Trump's rhetoric, decisions, policies). In such circumstances, the European idea will be particularly at risk. This idea of the EU will be jeopardized as the EU has proven to function only in nominal circumstances, free of crisis. When a crisis arises, it lacks proper leaders, instruments, solutions and capacities to handle it (the Yugoslav crisis, the Greek financial crisis, the COVID-19 crisis).

With this in mind, the left-right spectrum will further lose its political relevance, and populist politicians (swiping the EU) with readymade simple solutions to complex problems will emerge. These are politicians with vague enemies of the nation rationalized into global characters. These are politicians who have to offer something to everyone (salaries, subsidies), not following the basic economic rules of

competitiveness, merit or productivity. At the same time, strongly-unionized groups (so-called business chambers) are often favored today, and we will all pay the price for it in the future, i.e., the famous paradigm that profits are privatized, but costs are unionized to all citizens. That's the feudal way of thinking, when the authorities exempt officials from paying contributions on fees and from being quarantined after traveling abroad due to COVID-19 risks.

The rhetoric used by this type of politician will further lead to the most vulgar corporatization of the public sector. Due to the further reduction of the public sector, these politicians will appoint and seek officials who will not be required to have adequate knowledge of how a given public sector that they are supposed to manage works, as the *public aspect* in administering public interest is reduced to the bare necessity and does not remain a norm / standard as it should. Everything is based on the private interest of the authorities (captivity of the state by the party elites who act in conjunction with the banking and media sectors). In this attack on reason (Al Gore) there is no one to speak up on behalf of the citizens because their needs are not unionized in one voice and because they are no longer represented by the representatives of parliamentary democracy nor have the opportunity to get expensive seconds in the captured media.

**Therefore, Edvard Kardelj's quote in the beginning sounds quite recent, stating that *the happiness of man cannot be brought to him by the state, nor by the system, nor by the political party. As surreal as it may sound, it is true that there is currently no political power that would have a single goal according to the possibilities of the given historical moment to create conditions where man will be as free as possible in his personal expression and creation so that he can work freely and create for his happiness (Kardelj). And while to Kardelj this was socialist self-government, today it is declaratively called functional market economy. Ironically, both socialist self-government then and the functioning market economy today are just utopias. These social-political-economic formations have never come to life in North Macedonia.***

## THE CONTOURS OF THE NEW WORLD

The birth of the new global *mainstream* socio-economic format and frame is likely to rest on the relapses of globalization dominated by frictions of global externalities, such as climate change, environmental pollution, natural and man-made disasters, terrorism, corruption and tax havens, health risks and pandemics, the slowing of international trade and protectionism, technological development with digitalization and automation, and challenges associated with automation (and its taxation) by further reducing the share of the labor force in the distribution of profits, information management and the regulation of social networks. Populists in nation states will use this to strengthen their positions and build their narratives around external enemies, the discontents of globalization, and increasingly obvious tribalism. The gullible masses will accept their sweet rhetoric as defense from "*enemies*" of all colors. In the economic sphere, this will mean that populists will win support in return for their promises to restore jobs, but those jobs will have already been taken by machines and automatics / robots. The share of capital in the economy will continue to increase, and the share of workers / wages will decrease. Personal indebtedness and insolvency will continue to grow. And now when the global debt is higher than ever, to whom does the World owe? Who is the debtor and who is the creditor of the World as a habitat for sustainable development?

Not surprisingly, these relapses will drive international relations to *zero-sum* interstate relations in the coming decades simply because solving these problems requires a forum for international cooperation, not an arena to pursue national interests at the expense of the neighbor. This is exactly the direction in which the world political elite is pushing us at this moment. In those conflict zones of externalities, states that have the military and economic power to defeat the poorer will prevail.

As we have said, in Macedonia the social bargaining power of citizens, employees, and the unemployed compared to these socio-economically preferred entities (business and banking sector and religious clergy) is non-unionized, fragmented and unable to fight at the moment for a more efficient distribution of the burden of the crisis now and in the medium to long term, nor are we able to determine our reactions to these global shifts. In part, this is a result of a decade-long economic paradigm and ideology of liberal capitalism with elements of a captive state and corruption that at least meets the goals of tax, fiscal and other policies to establish an efficient market economy based on competitive businesses.

## FACTORS AND ENGINES FOR STRATEGIC POSITIONING OF POLITICS IN MACEDONIA

What will complicate things even more is **additional public borrowing** that is expected to be on the agenda after the COVID-19 crisis. The fiscal space does not allow for extensive borrowing any more due to unprecedented and corrupt ventures in the past and will be put under even stronger pressure. The COVID-19 crisis has shown that the pressures to further privatize profits, to strengthen the clergy and to unionize costs will continue to leave room for an unfair and inefficient society with **low confidence in institutions** and greater **reduction of expenses of public interest**. This will continue to encourage the most productive layer of the population to leave the country.

The emigration of the productive layer of the Macedonian population will lead to the demographic mechanical **aging of the population**, and the country will reach the average population age of continental Europe. When the population is younger, of course, the costs for early childhood development and education are higher. These functions are decentralized in Macedonia, but neither the central nor the local government thinks strategically about what investing and strategical positioning mean and what the effects of this social driver could be on Macedonia in the long run. However, the expectations of further natural aging of the population and emigration will increase the public health costs. Macedonia is lucky to have a health sector developed in Yugoslavia, leaving something to be dismantled in the last 30 years. The aged population will require higher public health care costs, not private health care because not every family can afford an Audi or Mercedes parked in the garage.

**Growing inequality** in Macedonia is unprecedented, and there is no sign from the authorities of any efforts to improve the situation **in a sustainable way**. In this regard, trivial efforts to resolve it with political ideology are like a sinking ship that sees salvation not in a new land, but in a large iceberg that melts faster than the ship sinks. Simplifying things by artificially creating a dualism on the flat and progressive taxes is just buying time and giving the media topics to cover. The real debates here focus around the following questions: what is the value of land, what is the value of property, what is socio-economic wealth, what should be taxed, what should be the tax base, will there be preferences, which categories will be preferred / relieved, what goals will be achieved, for what period of time, what is the administrative capacity of the public revenue office for taxation and revenue collection, and the like.

COVID-19 has left the capacities economically unused. The profitability threshold is a topic that should be given priority over the topic of capital investments and their realization, which in turn only serves for party skirmishes. The microeconomic category for the break-even point will open up questions about fixed costs that need to be covered, about the relevant transition period of its application, because the capacities do exist, but they have no economic use due to stagnant domestic and global demand. In Macedonia, the closed, shallow and oligopolistic capital market lacking knowledge, and featuring elements of cronyism, failed and will not be able to properly manage the risk with the markets of material goods at home and abroad and thus preserve its base. This is because that capital market in Macedonia never rested on market elements, but was always inefficient because of insidership, negative selection, cronyism. This is something that in Macedonia (and worldwide) will lead to **deflation** due to excess capacity and lack of liquidity (for not just economic reasons). This, in turn, will lead economic entities into insolvency, followed by pressure to monetize public debt, which will not be difficult to resist, as this was already done globally by the US Federal Reserve and by the European Central Bank in the last financial crisis.

## POSSIBLE SCENARIOS

Possible scenarios are illustrated in the following table. A range of scenarios is of course possible and is not limited to the scenarios given below. However, it is good to give a general picture and get out of the *mainstream* zone created by the media.

<b>Dystopian <i>Brave New World</i></b>	<b>Dystopian <i>Mad Max World</i></b>	<b>Dystopian <i>Soylent Green World</i></b>
<ul style="list-style-type: none"> <li>• Decades of solving post-COVID-19 socio-economic problems</li> <li>• Globally, populism gains momentum</li> <li>• Further stratification and fragmentation of the population in Macedonia</li> </ul>	<ul style="list-style-type: none"> <li>• International conflicts grow</li> <li>• National authorities impose strict security measures suspending basic democratic and human rights</li> <li>• Increasing military-police spending</li> <li>• Reduced public interest costs in other areas</li> </ul>	<ul style="list-style-type: none"> <li>• A dysfunctional state that even fails to provide administrative services</li> <li>• Citizens cannot exercise their rights</li> <li>• Inequality becomes extreme</li> <li>• Poverty eats away the substance of society</li> <li>• Privatized resources</li> <li>• The so-called business sector openly takes over government functions</li> </ul>