

## **INTRODUCTION: INEQUALITY, WELFARE POLICIES AND FINANCIAL STABILITY IN THE YUGOSLAV SUCCESSOR STATES**

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This issue breaks new ground for the journal in presenting a thematic collection of papers centred around the economic and social conditions in some of the successor states of former Yugoslavia. Several of the papers in this collection were originally presented at a Workshop on “Inequality and Social Protection in South East Europe” held at the Faculty of Economics of the University of Belgrade on 22 October 2018, and subsequently developed further (these are selected and peer-reviewed papers by Žarković Rakić et al., Petreski et al., Obradović & Filic, and Stubbs). The Workshop was supported by the International Inequalities Institute of the LSE, the LSE’s research unit on Southeastern Europe (LSEE) and the Foundation for the Advancement of Economics (FREN) in Belgrade. The contributed peer-reviewed papers by Bole et al. and Anić & Krstić are additionally included in this issue of the journal in view of their thematic relevance.

The main focus of the papers is on inequality and social welfare systems and their interaction, while the collection is headed up by a paper setting out the broad context of recent economic developments in the region focusing on the consequences of the eurozone crisis for financial stability. Inequality has become an increasingly central issue for economic analysis in recent years as asset prices have ballooned following the quantitative easing policies widely introduced in the aftermath of the global financial crisis of 2008, and the subsequent eurozone crisis which had strong spillover effects throughout South East Europe. This has been compounded by skill-biased technological progress which has put an increasing premium on high level skills in the context of the emergence of the digital economy. The increasing concentration of financial capital in the hands of a narrow elite, combined with unequal access to education and skills and reduced social mobility has raised income inequality to unprecedented levels in many countries.<sup>1</sup> This process has varied among countries in relation to the extent of mitigating measures to promote social inclusion and provide social welfare. *Economic Annals* is pleased to be able to act as a forum to explore these issues in a regional context.

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<sup>1</sup> See: Branko Milanović (2019) *Capitalism, Alone: The Future of the System the Rules the World*, Cambridge, MA: The Belknap Press

Within the EU, the eurozone crisis exposed the sharp divide between the prosperous northern member states and the more vulnerable southern member states. This divide has been widely analysed through the prism of core-periphery models of economic interaction between a high productivity “core” and a lower productivity “periphery”. In addition, a “super-periphery” within the European economic space includes candidate and potential candidates for EU membership.

The first paper in this collection, by Velimir Bole and colleagues, examines the effect of the eurozone crisis on two peripheral countries of the EU (Slovenia and Croatia) and four super-peripheral countries (Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia) from among the successor states of former Yugoslavia. They identify differences in financial stability and resilience of companies in the region, conditioned by the effects of policies enforced by the European Commission and the European Central Bank and underlying weaknesses in initial conditions and economic governance. This is followed by a paper by Jelena Žarković Rakić and colleagues who explore the implications of differential transition paths for the growth of inequality in three of the successor states, aiming to explain the causes of the relatively low level of income inequality in Slovenia compared to the relatively high level of inequality observed in Serbia. They argue that differences in labour market institutions, education systems, and social welfare systems all contribute to differences in inequality between these countries in identifiable ways. The paper emphasises the role of policy reform over initial conditions in generating inequality outcomes during the transition process.

The third paper by Marjan Petreski and colleagues examines the use of the minimum wage as an equality policy in North Macedonia, which succeeded in raising the living standards of the poorest wage earners without setting off a wage spiral. The fourth paper by Nikolina Obradović and Goran Filic explores the relationship between inequality and social policy in Bosnia and Herzegovina. They identify the ways in which the design of social policy has paradoxically reinforced unequal access to social benefits and thus exacerbated pre-existing levels of market inequality rather than ameliorating such inequalities. The fifth paper by Paul Stubbs explores the political economy of social welfare in Croatia. He argues that similar distortions in the design of social policy as in Bosnia and Herzegovina, including a large reliance on categorical benefits and the partial privatisation of pension provision, have contributed to relatively high levels of inequality. Stubbs also highlights how welfare parallelism has interacted with the adoption of a neoliberal approach to social welfare to undermine the generosity and coverage of welfare policies in Croatia. The final paper by Aleksandra

Anić and Gorana Krstić explores the gender pay gap in Serbia. Using an innovative methodology that corrects for sample selection bias, they argue that discrimination is a key explanation for the large gender pay gap, despite the legal prohibitions in place to prevent such behaviours.

Taken together, the papers in this thematic issue highlight the strengths and weaknesses of welfare policies and financial regulations in the successor states which together have led to quite variable outcomes for inequality in the region.

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