

TRANSITION ECONOMY IN KOSOVO AFTER THE WAR

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Abstract

This article analyses the development and consolidation of an illiberal (or shadow), economy and its connection to political projects in Serbia and Kosovo. Here, some comparative remarks are made over the form of economy and its political connections and implications. In spite of methodological problems with sources being scarce or of varying quality, the phenomenon of illiberal economy and its coupling with political projects is too important to be neglected by researchers. To some extent 'soft sources' have been accepted here, where hard evidence is lacking. The article argues that the considerable consolidation of illiberal economies in Serbia and Kosovo (as elsewhere in the post-Yugoslav space) have been intimately connected to politics, political violence and conflict in the region, and produced a transformation of wealth and resources. In this manner the conflicts in the region can be analysed from the perspective of social transformation. The latter concept emphasises that the trajectory of social and political change is not necessarily linear, towards liberal democracy and market economy, which is implied in the concepts transition (where the end stage is assumed to be liberal democracy and market economy) or social breakdown (which assumes a possible reconstruction to the norm of a harmonious state).

Keywords: Shadow economy, Illiberal economy, black economy, political economy of war, conflict, war-economy, parallel economy, war and state-building, drug-trade, Albanian mafia, organised crime, social transformation, Serbian-Albanian relations, Balkans, Yugoslavia, Serbia, Kosovo, ethnic conflict, terrorism

Introduction

The process of post-communist change in Eastern Europe has been approached from a variety of theoretical frameworks and assumptions. The most dominant and persistent is the so-called 'transition view', which construes post-communist change as a struggle with the heritage of authoritarian political systems and a planned economy towards the norm of democracy and market liberalism, along the path of which various states are successful to varying degrees. The term transition implies that one knows the direction or end state, and a problem here is that since democracy and a market economy are seen as the normative goal, it also sets the direction and frame for interpreting the actual political, economic, and social process, thus mixing the normative and the empirical.

The Re-stratification of Serbian Society

In a period of some 15 years or so, under sanctions and war, Serbian society was transformed dramatically. The typical socialist structure gave way to class distinction and the formation of a narrow stratum of very rich, while a great portion of society was Shadow Economy, War and State Building.

A large number of people were pushed into the grey or black sectors of the economy, or emigrated. Serbia also received an influx of between 600,000 and 1,000,000 refugees from Bosnia, Croatia and Kosovo, which due to their uncertain situation provided a further recruiting base for cheap labour in the black market sector. The deterioration in social standards and material life for the wider sections of society damaged all ethnic groups, including the (more than one-third) population which is not ethnic Serb (i.e. Kosovo excluded, the larger minorities include Albanians in south Serbia, Muslims or Bosnjaks in Sandzak, Hungarians in Vojvodina, Croats in parts of Vojvodina, Roma throughout, and others).

Concluding Remarks

The empirical picture provided in this article suggests a considerable expansion and consolidation of illiberal forms of economy in Serbia and Kosovo through the 1990s, as integral to political projects. As an empirical note, rather than conclusion, it is estimated that the grey economy in Serbia has been reduced from some 80% to around 30% (in terms of GDP) after the overthrow of Slobodan Milošević, with a probable reduced black economy as well, while it has expanded and consolidated its position in Kosovo. The concept of a political economy here suggests that the economic sphere cannot be isolated from its social and political context. The illiberal forms of economy, and the political and social projects they are part of, represent forms of adaptation to a marginalization and exclusion from the global political economy, where the formal economy has no place.

Although we cannot reduce causes of conflict to economic resource struggle or greed, the political economy (liberal or illiberal) is integral to political projects and social relations and must, as such, be analysed as a crucial component in conflict. We should not necessarily see illiberal economies as generators of conflict, but rather acknowledge that they have a central role in their dynamic, in funding agents with political agendas, and that they constitute the central factor and driving force in a process of social transformation. War itself is a process of social transformation, as well as of state transformation, and it is essential to acknowledge and analyse the character of the transformation and the political economy and project that emerges in the actual context of foreign intervention and aid. This is in contrast to the ideologically burdened concept of transition, where we assume to know the direction and end state of change, and the concept of breakdown, which suggests that reconstruction can be approached from purely technical aspects.

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