

## The Political Economy and Historical Context of North Macedonia's Independence

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**ABSTRACT:** The economic character of North Macedonia is heavily influenced by the context in which it has developed throughout the decades. The historical context of the economic development and characteristics of North Macedonia are crucial in understanding the current predicaments and conditions. The region in which North Macedonia is situated was considered mostly an agricultural zone for most of the early 20th century, with the Ottoman Empire and the Kingdom of Serbs, Croats and Slovenes utilizing the region as such. Following the establishment of the Socialist Federal Republic of Yugoslavia, Macedonia experienced industrialization and economic development which was influenced by political contexts, ideological struggles, internal disputes, differing interests, and economic doctrine. The commendable economic development and rise in living standards were opposed by economic mismanagement, rising economic nationalism, regional autarky, and ineffectual financial policy. The Yugoslavian economic crisis created a new context for Macedonia, introducing the question of free-market capitalism in the stead of the Yugoslav brand of Market Socialism. Macedonia enjoyed economic growth and benefits under Yugoslavia, however, it experienced many detrimental aspects which left the Macedonian economy vulnerable and recessing at the beginning of its independence. This paper aims to provide a concise and encompassing analysis of the impact of economic decisions, doctrines and policies on the economic context of the Republic of North Macedonia, preceding its independence through an analysis which includes the Ottoman period, the Kingdom of Yugoslavia and a specific focus on the period of the Socialist Federal Republic of Yugoslavia.

**KEYWORDS:** Autarky, Industrialization, Socialism, Decentralization, Economic Nationalism

### INTRODUCTION

The Republic of North Macedonia is a unique case study when it comes to the impact of political and economic developments and changing/evolving economic doctrine. Although North Macedonia shares a collective historical context with most of the Western Balkans, whether it be the Ottoman period, the Kingdom of Yugoslavia or the Socialist Federal Republic of Yugoslavia (SFRY), North Macedonia is a unique case in many aspects as the unique ethnic conditions and its political connotations and implications for the more-dominant nations within these contexts has led to challenges beyond the collective of what we know today as the Western Balkans. The Western Balkans is a region that has been the epicenter of many international crises and developments throughout history, being impacted by geopolitical developments.

The historical significance of the Western Balkans is undeniable, and one cannot accurately analyze most of European history without taking into account the developments and influence of the Western Balkans region. The term Western Balkans has been used to describe the countries that were federal entities within Yugoslavia and Albania. The term was used and popularized by the European Union in order to label the Balkan states that were in the process of integration into the EU. The Western Balkans has been in a decades-long process of integrating into the western hemisphere, adopting liberal values and free-market policies, and North Macedonia has been no different. However, this reformation process has been sluggish and underwhelming for North Macedonia as well as for the rest of the Western Balkans. North Macedonia has been and continues to be an interesting case study for the political and economic development of Balkan states, with its transformation from agricultural to industrialization efforts, to its establishment of a power-sharing political model for circumventing ethnic tensions and establishing a multi-ethnic political arena, North Macedonia acts as a very interesting example on the development of Western Balkan states before, during and after turbulent developments which tend to be characteristic of the region.

The reasons behind the challenges and hurdles in North Macedonia's path to economic development and political preparedness stem from a variety of issues, however, at the foundation, one can find traces of characteristics left on the economic, financial, and political institutions from the Socialist Federal Republic of Yugoslavia (SFRY). The importance of understanding the historical

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background, the financial and economic characteristics of said background, can lead to the detection of many implications and after-effects, which can provide a clearer picture in understanding and analyzing the economic character and context in contemporary terms. Thus, the importance of analyzing and understanding the historical context cannot be overstated. Having this in mind, this paper will observe and analyze the historical context and the economic conditions of North Macedonia before achieving its independence by taking into account the context in the 20th century, with a specific focus on the SFRY. This analysis will profoundly highlight the impact of economic policies and political circumstances of different ideological structures on North Macedonia and its economic state preceding its independence in order to shed light on the challenges and characteristics of the Macedonian economy.

North Macedonia has existed under numerous political entities throughout the 20th century, with the declining Ottoman Empire making way for the Kingdom of Serbs, Croats, and Slovenes, which would later be known as the Kingdom of Yugoslavia. Following the period of occupation by the Axis powers during World War II, the constituent republic under the new SFRY was established under the name People's Republic of Macedonia in 1946. Macedonia existed as a federal entity under the SFRY until its referendum for independence on the 8th of September, 1991. In this book paper, we will analyze the economic character and historical context in sections consisting of before the socialist regime and during significant periods of the socialist regime.

### **ECONOMIC CONDITIONS AND CHARACTERISTICS BEFORE THE SOCIALIST REGIME**

As the first instance that will be taken into consideration in the analysis of the economic character and historical context of North Macedonia, which has defined its political economy and development until today, the Ottoman period gives a clear perspective. The Ottoman Empire had a unique economic structure, taking elements from the nomadic Turkic tribes, elements of Islamic economic policies, as well as characteristics from the Eastern Roman Empire (Ivanov, 1998). The Ottoman Empire heavily relied upon the Timar system (Haqae, 1976), which was a distributional system based on merit and service to the system, compensated mainly through land ownership, similar to the feudalist approach of Western monarchies.

The region which we can consider as today's North Macedonia, which was under Ottoman rule for more than 400 years as a part of the Uskup sanjak of the Ottoman Empire, was heavily utilized for agricultural production which has been a consistent source of income and growth, and continues to be one of the bigger sources of revenue and economic growth for the country. Following the Balkan wars and the Great War, which led to the end of Ottoman presence in most of the Balkans, the region ended up in the hands of the newly formed Kingdom of Serbs, Croats and Slovenes, which would later be known as the Kingdom of Yugoslavia.

Although the Kingdom of Yugoslavia engaged in industrialization policies throughout the country, Macedonia was the least industrialized region, with only 14% of the factories and investments in industrialization focusing on that specific region (Calic, 2019). This underdevelopment led to significant impoverishment and negligence of the region, which was also coupled with a lack of educational development, leading to high illiteracy rates in comparison to other regions of the Kingdom (Tomich, 1963). This negligence was in part intentional, as the Yugoslavian government had consistently aimed to integrate the region through repressive measures and through methods which aimed to stifle the sentiment of Macedonian ethnic identity, engaging in serbification (Boskovska, 2017).

This attitude by the Yugoslavian government not only limited investments and the development of the region, but also impacted the level of market integration and internal trade among the regions of the Kingdom, hindering the establishment of a proper internal market integration in Yugoslavia (Miladinovic, 2020). This was not only a shortcoming of the government, however, as the different regions of the Kingdom of Yugoslavia all held an ethnocentric attitude which was not properly managed and led to economic nationalism within the country. This trend would later on continue in the Socialist Federal Republic of Yugoslavia, indicating the deeply-seated attitudes of the different ethnic groups in the region towards nationalism and the failure of the concept of "Yugoslav" as a civic national identity.

Following the beginning of the WWII, and the consequential invasion of Yugoslavia by the Axis powers in 1941, the region found itself under the occupation which would continue until 1945 in which communist partisan forces under the leadership of Josip Broz Tito would establish the Socialist Federal Republic of Yugoslavia, establishing Macedonia as an official political entity under the name of People's Republic of Macedonia.

### **MACEDONIA AND ITS ECONOMIC DEVELOPMENT UNDER THE SOCIALIST REGIME**

During the second half of the 1900s, most of Eastern Europe was under a communist regime; such was also the case in the Western Balkans. However, a distinctive characteristic of the western Balkans from the rest of Europe was the influence (or lack thereof) instilled by the Soviet Union. While a majority of the Eastern European states were part of the Warsaw Pact, Yugoslavia opted for alternative alliances in its approach to international relations. Yugoslavia was part of and initially led the Non-Aligned movement, rejecting the two blocs of NATO and the Warsaw Pact (Luthi, 2016). This meant that the Socialist Federal Republic of Yugoslavia was set to employ its own unique version of a socialist state instead of adopting and imitating the economic decisions and policies of the Soviet Union or the People's Republic of China, which were the leading socialist states at the time.

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The Socialist Federal Republic of Yugoslavia was a federative republic under a socialist one-party rule of the Communist Party of Yugoslavia, with Josip Broz Tito as the president of the country, which would serve until the end of his life. Socialist Yugoslavia was comprised of six constituent republics: Serbia (which also held the capital of Belgrade), Bosnia and Herzegovina, Croatia, Slovenia, Montenegro, and Macedonia, with Kosovo and Vojvodina established as semi-autonomous provinces.

The SFRY created its own unique form of socialism in not only seeking foreign policy but also in social and economic policies, which culminated in the later coined term of Titoism. Titoism, in its essence, was the political and economic commitment of the SFRY in the "third way" foreign and economic policies of President Tito, the main characteristic of which was known as the Socialist self-management economic system.

The Socialist self-management economic system (Estrin, 1991) was introduced as a third option to the liberal capitalism and marxist central planning of the USA and Soviet Union respectively, calling for market-based allocation of the management of companies and industries to the workers in democratic worker's councils, which would hold shares and be involved in the decision-making processes of competing companies, effectively creating a decentralized and liberalized version of socialism unique to Yugoslavia, separating economic planning from the state and party organs. However, the autonomy of the workers' councils was undermined with the appointment of company directors, directly from the state and party politicians (Liotta, 2001). These cooperatives, which bore elements from liberal capitalism with their existence as competitive companies and industries as well as socialism in the fact that they were managed under a democratic workers' council in which those employed in the company would be involved in the board meetings and decision-making bodies, were a significant aspect of Yugoslavian socialism.

The ambitious and unique economic system introduced by the Tito regime, coined as Market Socialism, provided initial success, with Yugoslavia having one of the fastest-growing economies in the world during the 1950s and 60s (Kukic, 2017). However, the introduction of a socialist regime in Yugoslavia also brought with it the nationalization and confiscation of properties (Sukalo, 2023) for a collective ownership approach befitting a socialist regime. These forceful and at times violent confiscations were not only controversial and unjust at the time but continue to be a point of discussion and legal as well as political question in contemporary politics in the successor states of Yugoslavia.

For the People's Republic of Macedonia, however, underdevelopment and economic struggles were more apparent. Macedonia had one of the highest unemployment rates from all the republics of Yugoslavia, throughout the decades, even though the belated investments in industrialization were in full force and had started phasing out the agricultural dominance in the economic sector in Macedonia, creating new factories and sources of income, such as nickel and steel plants, however the fluctuating and divergence of international markets to other industries by the 1970s, such as the service sector, meant that the investments did not produce the desired results for the region (Woodward, 1995).

The underdevelopment of Macedonia, compared to other regions of Yugoslavia, can be attributed to several factors that were prevalent in regions such as Montenegro and Kosovo, as well as in the economic policies and decisions of Yugoslavia. The underlying ethnic and cultural bias (Hammel et al., 2010) which came to be the leading reason for the beginning of the Yugoslav wars and thus the dissolution of Yugoslavia had a considerable impact on the economic inequality among the constituent republics since the federal government had given more attention to industrial development in republics which had a higher impact on the institutions, with Serbia being a leading region (Norbu, 1999).

The economic difficulties and even political turbulences are also reflected by the significant amount of migration that took place from Yugoslavia to other countries, mostly countries in Western Europe. During the 1950s, a significant amount of citizens of Muslim religious background, whether ethnic Turks, Albanians or Bosnians among others, migrated to Turkiye (Pezo, 2018), which spoke loudly about a lack of identity from muslim citizens towards the newly established Socialist state, as well as the lack of belonging by muslim-majority ethnicities, which would favor Turkiye to Socialist Yugoslavia as a home. The Yugoslavian government would also support these migration policies, which put under scrutiny the concept of brotherhood and unity among the different ethnic and religious groups, which had been propagated by the socialist government. From the 1960s up until the dissolution of Yugoslavia, large numbers of citizens migrated to countries throughout Western Europe, such as Sweden (Frank, 2024), as well as central European states such as Germany and Austria (Bonifazi & Mamolo, 2004), among others. The main reasons behind this trend of migration throughout the decades were a significant trend of economic and labor migration (Vukovic, 2005), in which citizens of Yugoslavia were moving towards Western European states for better economic benefits and living standards, as well as more opportunities for employment. These trends continued up until the beginning of the dissolution of Yugoslavia, in which political reasons dominated as motivation for migration from Yugoslavia. Although economic migration continued, with new regions becoming focal points for such migrations such as Italy, Albania and Greece (Bonifazi et al., 2006), displaced civilians from the ongoing conflict and active forced migrations on the basis of ethnic and religious background (Helton, 2007) also played a significant and tragic role.

The Serbian dominance of the political structures needs to be seriously considered when trying to understand the reasons behind the overtly visible inequality in economic development, output, and investments among the republics. It is important to point out that not only Macedonia but also regions such as Kosovo were impacted by this asymmetrical power structure within Yugoslavia, undermining the initial intentions of creating a cohesive socialist state without bias on the basis of ethnic or religious background.

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On the other hand, the socialist self-management economic system, based on market socialism, had created an environment of competition and even led to a drive for regional autarky for the republics (Woodward, 2003), which hindered the social cohesion and collective responsibility for development, coupled with the favoritism of investments and capital into the more advanced regions of Yugoslavia and thus the failure of the federal government in adequately diverting these funds into Macedonia, amongst other less developed regions of Yugoslavia (Kraft, 1992) led to an even further increased disparity in development between Macedonia and the other republics. For Macedonia, however, the ineffectiveness of these funds should not rest only on the shortcomings of the Federal government, as mismanagement, inefficiency, and corruption were very serious factors when it came to how the Socialist Republic of Macedonia handled the funds and subsidies provided by the Federal government (Veljanovski, 2002).

The constitutional reforms of the 1970s which solidified the constituent republics and political entities with increased autonomy, further intensified the drive for regional autarky among the federal entities which further contributed to the disparity and the development of economic nationalism in the republics (Uvalic, 2024), highlighting the disadvantageous position of Macedonia, as well as other less developed regions within the Socialist Federal Republic of Yugoslavia. The ambitious and unique decentralized economic system which outperformed many countries until the late 70s deserves praise, and some short-comings of the federal government can be explained by having in mind the complex and diverse political, ethnic, cultural and even geographical nature of Yugoslavia and its republics, however, the negative impact of certain political and economic decisions, which fueled the disparity and later led to the dissolution of Yugoslavia should not be ignored.

Of course, the position of Macedonia within the SFRY was not solely one of economic disparity and disadvantage. As a constituent republic of the Socialist Federal Republic of Yugoslavia, Macedonia enjoyed many of the beneficial aspects shared with the other republics, such as the de facto existence of a free trade area for Macedonia with regard to the entire territory of Yugoslavia and its republics. On the other hand, it is important to note that the free trade area also meant that Macedonian industry had to compete against the already developed industries of the other republics which severely hindered the prospects for increased internal trade for Macedonia, which can be considered as a negative outcome of the competitive environment created by Market Socialism in Yugoslavia. Along with this, the investments and subsidies for development and economic growth provided by the federal state were also important aspects that provided a boost for the economic prospects of the small and initially economically agricultural republic. Although Macedonia was considered the smallest economy among the constituent republics of Yugoslavia and its GDP per capita lagging behind the rest of Yugoslavia, GDP growth was admirable, with Macedonia even surpassing Bosnia and Herzegovina in GDP per capita in the 1970s and into the 80s (Vojnic, 2013). Additionally, the rapid industrialization, albeit belated and hindered by divergence of global markets into the service sector, had propelled Macedonia into a leading industrial zone within Yugoslavia, with a majority of the economic output coming from the industrial sector by the mid-1980s (Kraft, 1992). In hindsight, we can undoubtedly observe that Macedonia as a federal entity under Socialist Yugoslavia had significant development; however, with a consistent lack in catching up to global economic trends, which had further hindered the impact of the developments in the Macedonian economy. The industrialization process was significantly belated, considering that global industrialization had occurred decades before, when Macedonia was still a mainly agricultural economy. Additionally, the industrialization occurred at a very inopportune time, when the global economic trends were moving towards the service sector. However, studies also suggest that a significant number of developing countries were industrialized within a similar period in time, and in fact, a significant number of these countries can be considered as successfully industrialized (Haraguchi et al., 2018), which would argue the opposite of what would be initially suggested. Having this in mind, one should also take into consideration the socio-political factors in the underperformance of the economies in developing countries beyond the economic developments, since developing countries are further economically susceptible to political turbulences (Rathnayake, 2022).

### **THE MARKOVIĆ REFORMS AND LIBERALIZATION**

The fragile economy of Yugoslavia experienced a drastic downfall at the beginning of the 1980s, a debt crisis, and hyper-inflation, followed by which Yugoslavia failed to service its ever-increasing external debt, and the Yugoslavian markets crashed. The Yugoslav economy, prior to the economic crash and crisis, was in many ways held up by reliance on external debt and foreign imports, which highlighted profoundly the deepened economic mismanagement of the Yugoslav government beyond the impact of external market volatilities (Cvikl & Mrak, 1996). Additionally, the federal government had allowed the constituent republics to borrow foreign debt without substantial control and regulation, the service of which was expected by the constituent republics, however the responsibility of the federal government, in turn, the mismanagement of the borrowed funds and a lack of public debt sustainability, were among the chief reasons behind the crash (Marjanac, 2015). The autonomy given to the constituent republics in this regard should also be scrutinized under the concept of the socialist self-management system, which speaks profoundly on the many issues with the system, which have been covered previously in this paper.

The economic crisis was further intensified following the death of Josip Broz Tito, which led to a period of political indecisiveness. SFRY then turned to the international community, mainly the International Monetary Fund (IMF), for support, which was answered with relief packages and immediate funds in order to relieve and possibly mitigate the economic crisis. The IMF, along with its relief funds, also stipulated that Yugoslavia abide by strong austerity measures and economic liberalisation to curb and service the

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high public debt rates (Strohm, 2019). The austerity measures further intensified the difficulties in living standards of the population, which in turn deepened the sentiment for independence and separation from the Federal entity within the constituent republics. During these turbulent years, Ante Markovic became Prime Minister of Yugoslavia in 1989, introducing sweeping reforms to the economic system, which effectively ended the socialist self-management system and introduced privatization and free-market economics to Yugoslavia (Heenan & Lamontagne, 2014). Under these reforms, Macedonia had moved to privatize and transform hundreds of companies and integrate into a private sector-oriented economy. However, the reforms were under heavy opposition from federal entities and political players (Sasso, 2020) which resulted in the initial success of the reforms being halted with the eruption of the consequential Yugoslav wars. Consequentially, the reforms also included aims to further centralize state authority in both political and economic perspectives which was used as a focal point for Serbian nationalists in their aim to further dominate the political and economic spheres of Yugoslavia (Popovic, 2024), these reforms, albeit having economic justifications for a struggling Yugoslavia, further intensified the ethno-centrist ideas among the republics which were already at a breaking point. Ironically, one can see that this period of reform, in which the Yugoslav officials were aiming to curb the increasing financial and political instability, and to rejuvenate the dwindling Yugoslavian state, further fueled the tensions, with reforms aiming to eradicate the socialist self-management system, which was designed to ensure autonomy to the constituent republics, having in mind their ethnic, religious and economic characteristic differences within this fragile union (under the aim of providing workers with self-management) providing an impetus for the different ethnic groups to begin the process of seceding from the SFRY. Additionally, the economic reforms provided very few results in terms of macroeconomic indicators, with inflation and unemployment continuing to soar and the national economy remaining stagnated (Yarashevic & Karneyeva, 2013). The lackluster performance of the reforms and thus the economic collapse was not only a tool in fueling dissent and unrest among the population in general, in a broader sense, it also further increased the dissatisfaction within the more developed constituent republics like Croatia and Slovenia which had consistently outperformed the rest of Yugoslavia (Yagci, 2019), providing an encouragement for these republics to call for independence from a union which was, in a sense, dragging them down.

### **THE ECONOMIC CONSEQUENCES OF THE YUGOSLAV WARS FOR MACEDONIA**

The Yugoslav wars, which were a civil war ultimately resulting in the dissolution and effective end of Yugoslavia as a political entity, had a very harsh impact on the economic conditions throughout the constituent republics of Yugoslavia. Along with the expected immediate impact of civil war on economic conditions and markets, the detrimental effect of the Yugoslav wars was so dire that studies have also pointed out that the growth potential and the economic development rates of the constituent republics have been severely hindered in that traces of the negative effects can be seen up until recent years when compared to countries with similar economic conditions beyond Yugoslavia (Keseljevic & Spruk, 2020).

Following the de facto dissolution of Yugoslavia as an entity, the IMF conducted agreements in order to realize a proper apportionment of the debt left over from Yugoslavia; the debt was allocated amongst the entities of the federation on the basis of their economic capacity. This apportionment meant that, along with the debt allocated to Macedonia as a constituent republic, more than 5% of the federal debt of Yugoslavia was also apportioned and serviced by the newly independent Republic of Macedonia (Cvikl & Mrak, 1996). Macedonia was not in a good economic condition during its declaration of independence, being one of the smallest and least developed economies of the Socialist Federal Republic of Yugoslavia, with its economy heavily relying upon support from the federal government, the benefits of the federal trade area and support from the larger economies of Yugoslavia (Miller, 1992).

The Macedonian economy held a consistently high unemployment rate, which continued up into its independence, and the education and healthcare sectors, although improved throughout the years, were considerably underdeveloped (Veljanovski, 2002). The economic structure of Macedonia preceding its independence had all the characteristics of the economic system which was implemented by Yugoslavia, a Market socialist system. The economy was characterized by a semi-industrialized and still dominant agricultural sector, a declining industrial and mining sector, and a serious service sector (Radovanovik-Angjelkovska, 2014).

When observing the economic conditions of Macedonia preceding its independence, along with the economic conditions and institutions, the negative impact of the Yugoslav wars should also be taken into consideration, as the political instability and disruption of the supply chains along with the volatile environment are all conditions which worsened the economic conditions and state of the economic and financial markets which contribute to a dramatic picture when it comes to the economic situation at the time. However, the immediate negative impact caused by the instability can only impact so much, as the underdevelopment and fragility of the economy stems from decades of mismanagement, the details of which have been taken into consideration and analyzed throughout the paper.

When observing the main macro-economic indicators in the years 1990 and 1991 (World Bank, 2025), Macedonia has one of the highest unemployment rates from the Yugoslav republics, with the unemployment rate holding at around 24% in 1991, and the economy shows a period of recession with a rate of -6% in GDP growth, portraying a shrinking national economy, coupled with drastically high inflation rates which were the case throughout the constituent republics of Yugoslavia. Having in mind the unique status of the Yugoslavian economic system and the sui generis position of Macedonia within this context, realizing a comparative

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analysis must take into account similarities in economic and political conditions, having this in mind, we can solely compare Macedonia as a constitutive republic with the other entities within Yugoslavia with similar positions, such as Montenegro, Bosnia and Herzegovina as well as Kosovo as a semi-autonomous province within the Socialist Yugoslavian state.

When comparing the growth rates and the GDP per capita of Macedonia with the other constitutive republics, especially considering Montenegro, Bosnia and Herzegovina and the semi-autonomous region of Kosovo, Macedonia demonstrated a consistent performance with increases and decreases coinciding with those of the other republics, save for the period from 1965 until 1970 in which Macedonia outperforms and demonstrated an increase in gdp rates in comparison to Bosnia and Herzegovina, Kosovo, and Montenegro (World Bank, 2025), which coincides with the period of increased investments from the central government towards Macedonia, boosting its potential beyond the conventional sources of growth for the republic.

By 1991, Macedonia managed to peacefully emerge from the Yugoslav crisis as an independent and sovereign state, albeit with difficulties in international recognition, the young republic demonstrated political and economic maturity transforming to a multi-party parliamentary democracy with rapid liberalization of economic sectors, outperforming its fellow constituent republics in its dedication in transforming from the socialist federal republic to a liberal democracy (Petrushev, 2018).

### CONCLUSION

Having into consideration, the recent historical context and the established economic institutions, understanding and approach to economic questions in Macedonia, whether it be during the period of the Ottoman Empire in which the Macedonian region was heavily considered as an agricultural zone, or during the Kingdom of Yugoslavia in which the region was mostly ignored, underutilized and neglected, or on the other hand, the belated industrialization under Yugoslavia, all have had a considerable impact on the economic structure and character of Macedonia preceding its independence.

The Socialist Yugoslavian economic identity heavily impacted the understanding of social state institutions, welfare programs, and the economic sectors of the country, with the economic principles of Market Socialism and Socialist self-management defining the decisions taken and pathways taken in establishing the economic character and context of Macedonia. The needs of the local party politicians, and the federal government heavily outweighed the economic necessities of the region for the sake of its development, the self-management system hindered the necessary economic development and possible benefits of a planned and centralized economic guidance while at the same time preventing free market economics to maximize the potential of the economy and industry, albeit for the sake of maximizing profit.

As the late years of Yugoslavia were defined by economic struggles, instabilities, debt crises, and hyper-inflation, the Macedonian economy was no different, being heavily impacted and struggling with the same economic turbulences. The policies set forth by the Markovic government led to the continued trend in Macedonia, in which the support for free-market economics, privatization, and liberalization of the economy continued to be the favored doctrine for the economy and economic policy. The political dynamics, the economic decisions of the federal government, consequences of the self-management system and the prioritization of more developed republics of Yugoslavia, all played a part in leaving Macedonia in a struggling economic position with underdeveloped institutions, underutilized industry and undesirable living standards which left much to be desired and much to be reformed following its independence and economic sovereignty.

At the very foundations of Yugoslavia, from the Kingdom to the Socialist state, the most dominant and prevelant factor for both political instability and even economic integration and development, was the sense of ethnic nationalism and ethno-centrism in both political and economic perspectives within the varying constituent republics, which belated the process of market integration and enforced regional autarky leaving its mark on the economic short-comings of Yugoslavia while also fueling the political instability and eventual dissolution of Yugoslavia as a political entity. Yugoslavia also highlights the importance of political decisions, policies, and turbulences on the economies, which speaks profoundly on the importance of political economy and political stability for economic development.

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