

The Spring Cleaning

Can you imagine, esteemed audience, to quote Basara¹, three or at least two local politicians who could establish a joint stock company? Here, let's say, starting with the coalition partners who so harmoniously and convincingly won the recent elections: Vučić and Ljajić, and add to them Velimir Ilić, too. Or let us take into account the others who have reached the threshold – Dačić, Palma and one of the Krkobabićs; or Tadić, Čanak and D. Petrović; Đilas and Živković. Let's not even mention those who didn't make it into parliament. But, while speaking of the latter, doesn't it seem "paradigmatic" that after the election defeat even a Mlađan Dinkić who is so prone to entrepreneurship did not say: "Great, now I will be able to quietly dedicate myself to what I like doing most – my own investment endeavors", but will just step back into political shade a little bit.

It is clear (to you) that even when something like that should happen, they would start fighting in a matter of three days. And it is clear why that is. Running an enterprise is a serious thing: it calls for plenty of mutual trust, understanding and agreement (rather than lying). However, as experience has taught us, all of the abovementioned would like to run the state. And this not only in the stated coalitions, narrow by their own choice, but also in much broader "combinations", which could rather be described as being at loggerheads, than any kind of team, no matter how out of tune. This, of course, does not mean to imply that an enterprise is the same as a state. But that is exactly – with worthy exceptions – what our politicians are doing, treating the state as an enterprise. Their own, of course. Not only, nor primarily, are they installing their relatives, both family and civic, and friends, personal and partisan, to state positions, but they also, in a heartbeat, as soon as they assume a ministerial position, transform into born entrepreneurs and businessmen. And then, all of a sudden they know where and how to invest, who should be supported or subsidized.

If they know all that so well, a simple question is raised – why don't they make their own enterprises? And invest to their heart's desire. But do it with their own money, rather than with someone else's. That is – ours.

Captivated with such grandiose endeavors and grand visions, with their heads in the clouds, our politicians don't even notice what (and who) they step on. They don't see life. They don't see the ambiance in which a person who wants to launch and run his/her business moves, to live "by the sweat of their own brow". Not just the economic ambiance in the narrow sense, namely the regulations determining the economic life, but also in the broadest sense: from the legislative, through judicial and educational, to the socio-cultural system characterizing a society. Here are just two examples which, at the very outset, suffocate any desire for a person to launch his/her own business. Say, if you open a plain store – craft, trade, whatever – you have to pay a little over 150 Euros per month to the state right away, for various taxes. Regardless of whether you are making a profit or not, the state's "racket" has to be paid. Or a second example: the founding capital for an enterprise may be small, just 500 dinars, but in order to register it you need at least 500 euros. Yes, yes, dear readers, it is no mistake and I did not (like Bačević², god forbid) confuse euros and dinars, nor did I add or subtract a couple of zeros.

But that is not all. The laws are so confusing and, more importantly, so contradictory that there is no way that you can observe them all. You are practically left at the mercy of various police agencies (tax,

¹ Svetislav Basara, writer, "Danas" daily columnist, translator's note

² Milan Bačević, current Minister of Natural Resources, Mining and Spatial Planning in the Government of Serbia, translator's note.

financial...), courts and their "interpretations", "calibrated" in order to treat entrepreneurs like enemies of the state – one could (almost) say like in socialism – rather than like people the development and future of the country depend on. By the way, foreign companies, thanks to their embassies, can count on some sort of protection here, whereas local businessmen have no one they can address to help them. It is in this field that the situation has significantly deteriorated in the last two years: Serbia has become more of a police society than a political one. And now this "Siberian climate" for entrepreneurship is supposed to turn into a warm, "Mediterranean ambiance". Such is the "great twist" that Serbia is facing. That is the essence. Until that is taken into account, until that is the pretext of every move, none of the reform measures and procedures, no matter how serious they are – and they undoubtedly must be – will bring the wanted results.

However, when the "binoculars are lowered" a little bit, i.e. concretely speaking, the new Serbian government will face two seemingly contradictory tasks. The first one is to fire surplus workers, while raising the employment rate. The other one is expressed by a formula: both saving and investments.

The first step in resolving these tasks is putting a strain on public finances. It is not just a matter of revising the budget, something the former – and probably, future – Minister of Finance Lazar Krstić is well aware of. To cut a long story short, the budget deficit will have to be reduced from around seven to around six percent of the gross domestic product. In other words, around 40 billion dinars will have to be saved up. But, no matter how painful, that is the easier part of this story. The public sector is the cancer of the Serbian economy and society as a whole. Let us remind: when the first Vučić government (for it was only formally Dačić's, since the FDPM – First Deputy Prime Minister – very quickly turned into the true head of government) came into office, agencies and other similar (para)state institutions were on the agenda. There were promises that their number would be almost cut in half but those promises burst like a soap bubble. Until recently, it was not even known how many people were employed in various (para)state agencies. Until the aforementioned Krstić publically revealed a number of close to 800,000, it was believed that around 600,000 people were working in public services. The real number turned out to be larger by as much as one third. Former Minister of Economy Saša Radulović – who most certainly will not be part of the new government – publicized or actually rather reminded of the (World Bank) information that state-controlled enterprises cost the citizens of Serbia 500 million euros annually. During the election campaign, Radulović also presented a calculation according to which a decrease of employees in the public sector of (just) 15 percent would save 1.5 billion euros in the budget. Combine only those two numbers and you have the entire fiscal deficit of Serbia.

However, bringing order to the public finances does not only imply better control of public expenditures (and better collection of revenues), but – in accordance with the necessity of improving the business ambiance – a serious fiscal reform, as well. Primarily by easing the tax burden on labor. That would bring about a financial strengthening of the private sector and, consequently – investments. And thus a realization of the main objective – increase of employment.

The second step is represented by the adoption of "Radulović's laws". Let us remind, it is a matter of four laws: law on labor, law on bankruptcy, law on privatization and law on planning and construction. These laws, on the one hand, are supposed to relieve the state budget of the burden in form of enterprises incapable of independent life while, on the other hand, they should result with a "clearing of the field" that would improve working and development conditions for those who have a chance of success. The most powerful man in Serbia, as is well-known, just a few months ago did not support the unexpectedly persistent Radulović in the latter's struggle to adopt those laws. One of the interpretations – which would be benevolent towards Vučić – says that it was in line with the old political rule that one does not undertake unpopular measures before the elections. Radulović himself, however, claimed that the FDPM

personally was the main obstacle to the reforms. Be it as it may, the new government now, even though it hasn't formally been constituted, is announcing as the first item on its agenda the adoption of those four, as well as a series of other reform-related regulations. Therefore, we shouldn't be waiting too long to see what will really be done.

Finally, the monetary policies of the National Bank of Serbia (NBS) have not served in the economy's best interest for a while now, but rather in the state's interest. Its (so-called benchmark) interest rate which provides a basis for determining other interest rates, is twice as high as necessary. Namely, the NBS benchmark interest rate has moved around 10 percent for quite some time, whereas according to the general expert opinion (let us not dwell on the argumentation too much now) it should be only a half of it, i.e. 4-5 percent. That way, NBS is helping the state (i.e. government) because by artificially maintaining a low exchange rate of the dinar it decreases its credit liabilities. On the other hand, however, NBS is thus hindering the Serbian economy, especially its best part – exporters. And, again, twofold: firstly, by decreasing their foreign currency earnings (by means of maintaining a low euro exchange rate), and secondly by rendering loans more expensive and obstructing both the enterprises' everyday operations, as well as investments, thus lowering their competitiveness in the foreign market.

As we can see from this short overview, the entire system in Serbia is set "upside down": in a way that suits the so-called "superstructure", to use this somewhat forgotten Marxist term, instead of being in line with the needs and interests of the "social basis", i.e. the economy, which it neglects.

Therefore, a major recomposition of the Serbian economic scene is on the agenda: shifting the center and foundation of the Serbian society from the public to the private sector, containing a reinless state and releasing private energy and initiative.

It is the only way to successfully resolve the "Serbian square of the circle", i.e. both aforementioned "contradictory tasks". Savings in the public sector – by means of decreased subsidies, salary expenditures, expenses through the so-called "acquisition of goods and services" and the like – should not only be compensated but also surpassed by increasing private production, both personal and investment-related. "Patience is the virtue (of fools)", goes the old folk saying. In other words, the question is raised how the Serbian economy will survive this "spring cleaning" on its feet. For, it is already rather "groggy", in a state of knockdown. The production is stagnate (it is very likely, given the unfavorable predictions for the agriculture, that this year's GDP "growth" will be around zero), illiquidity is growing and an increasing number of enterprises are threatened with bankruptcy. In light of this, there will be a great need for a foreign financial boost of some sort. So, the "slogan of the day" is: both the IMF and the UAE. Serbia needs loans both from the International Monetary Fund and the United Arab Emirates. And it will have to take on debt elsewhere, too. By doing so, of course, the public debt of Serbia will increase additionally – the estimate ranges from the current 60 to 70 percent of the GDP (i.e. around 22 billion euros) next year. But that is inevitable, according to estimates by the Fiscal Council, as well.

The question only remains on how this money will be spent. Is it going to be used for support to the reforms, i.e. as a "social cushion" for soothing the "pain" of those affected by it, or will it aim at prettifying of the grotesque and wrong system, as it had been the case all these years. In case of the latter scenario – Serbia will have elections again in two years, only this time in a much harder situation.

Therefore, Vučić should prepare seriously – for a big spring cleaning.

Mijat Lakićević