



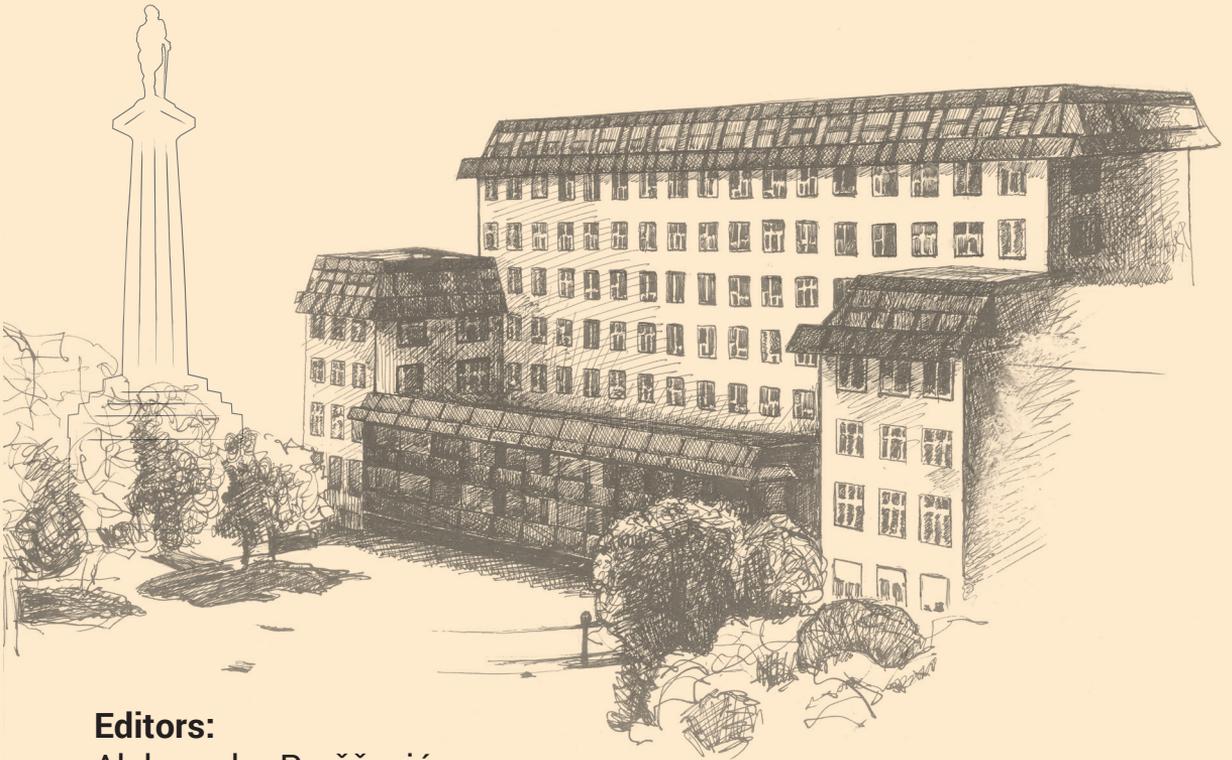
UNIVERSITY OF BELGRADE

Faculty of Economics and Business

3rd International Interdepartmental Conference

“Shaping Post-COVID World –
Challenges for Economic
Theory and Policy”

BOOK OF ABSTRACTS



Editors:

Aleksandra Praščević

Miomir Jakšić

Mihail Arandarenko

Dejan Trifunović

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Aleksandra Praščević, Miomir Jakšić,
Mihail Arandarenko, Dejan Trifunović

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FOREWORD

This year, the *Department of Economic Theory and Analysis of the Faculty of Economics, University of Belgrade* is hosting the *3rd International Interdepartmental Scientific Conference: “Shaping Post-COVID World – Challenges for Economic Theory and Policy”*. The interdepartmental conferences have been organized by the departments of Economic Theory and General Economics from the region of South-Eastern Europe, primary of the countries of former Socialist Federal Republic of Yugoslavia.

The Conference will be held on September 14th – 15th, 2022, at the Faculty of Economics, University of Belgrade, which is celebrating 85 years since its founding. The conference traditionally brings together not only members of the departments of economic theory and general economics, but also those from other fields (business economics, management, marketing) whose work is aimed at applying economic theory in practice. The conference provides an opportunity for exchange of experiences, research results and new ideas about the economic issues imposed by the COVID-19 pandemic and post-COVID trends with huge geopolitical tensions.

The Book of Abstracts includes 32 abstracts of papers which will be presented at the conference. The abstracts are grouped within five research areas according to the conference sessions:

1. *Political Economy and Economic Growth in the Post-Covid World*
2. *Macroeconomics and Economic Policy*
3. *Labor Economics in Post-Covid World*
4. *Public Policy in Post-Covid World*
5. *Microeconomics and Application*

Such a broad approach corresponds to the core research interests of the members of Department of Economic Theory and Analysis of the Faculty of Economics in Belgrade that have been pursued and developed throughout its 75 year long history, since the department was established at the Faculty of Economics of University of Belgrade in 1947, first as the Department of Political Economy. Besides to researchers from the Faculty of Economics in Belgrade, researchers from the faculties of economics in Zagreb (Croatia), Ljubljana (Slovenia), Osijek (Croatia), Skopje (North Macedonia), Podgorica (Montenegro), Kragujevac (Serbia) and Niš (Serbia) participate with their papers at the conference.

The Conference programme includes plenary sessions and five parallel sessions with 32 papers. Eight reviewers participated in reviewing the papers presented at the Conference.

In two plenary sessions, lectures will be given by the keynote speakers:

1. Professor Hans Manner, University of Graz, Austria: “Determinants of CO2 emissions in the transport sector”,
2. Professor Cristiano Perugini, University of Perugia, Italy: “Pay incentives, intangibles and gender wage inequality”.

Belgrade
August, 2022

Editor-in-chief
Aleksandra Prašević

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I

Political Economy and Economic Growth in the Post-Covid World

Miomir Jakšić¹

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DECAY OF DEMOCRACY AND WEAK STATE

Abstract: The aim of this work is to investigate impact of digital society on democratic institutions and state which leads towards weakening individual rights and privacy, aiming toward creating, directing and manipulating of whole set of preference of every individual. Those numerous and serious consequences are result of implementation of artificial intelligence in modern digital society points toward necessity of introduction of new institutions that will rule out and constrain such practices. This becomes new field of investigation for Political macroeconomy that overcome classical adaptive or rational expectations of individuals and are based on new digital expectations of individuals. Establishment of consolidated democracy and efficient market economy only partially depend upon GDP growth rate (proximate

factor of development), but wholly and long lasting upon fundamental factor of development – institutions that enable and promote education and participation of broad masses of population, which nowadays is in the focus of development of inclusive institutions. Two pillars of modern Political macroeconomy are: 1. institutions are fundamental factor of development, institutions that are inclusive and as such good institutions that promote economic and social development in the interest of whole population, increasing their welfare; 2. experiences of independent regulatory bodies, firstly central banks, manifest that rules of independence, accountability and inclusiveness are basic pillars for rule of law.

KEY WORDS: POLITICAL MACROECONOMY, DEMOCRACY, WEAK STATE

JEL CLASSIFICATION: O33, D63, C72

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SOCIO-ECONOMIC CONSEQUENCES OF REFORMS IN POST SOCIALIST COUNTRIES – PERSPECTIVES FROM THE POST-COVID WORLD

Abstract: The paper deals with important issues of socio-economic consequences of economic and political reforms of post socialist transition countries in the perspective of more than three decades of their transformation with variable success. The success of reforms can be viewed from this historical perspective in the context of their economic growth, but also social development. It answers the question of whether the economic transition from socialism (dominantly central-planned) to capitalism was an economic and social success. This is observed from the aspect of achieved economic growth, integration into the world economy, and especially into European integrations (such as the EU), as well as the growth of living standards and overall satisfaction of the citizens of these countries. The COVID-19 pandemic has exposed many of the otherwise present questions about the possible failure of the undertaken reforms. The post-pandemic world is facing geopolitical tensions, the basis of which is still a possible division into two systems (both economic and political), which raises the question of whether the reforms were really successful. The two sig-

nificant shocks that hit the global economy in the 21st century had significant negative economic consequences for post-socialist economies as well. First it was the Great Depression (2007-09) and then the COVID-19 pandemic, starting at the beginning of 2020. Post-socialist countries have faced economic difficulties, but also the political rise of undemocratic forces. Some of these difficulties have been solved by promoting the concept of stabilocracy. Today, when we are witnessing the war in Ukraine, the question is open again whether the neoliberal project, which was the base of undertaken reforms, together with promoting concept of stabilocracy represent a solution or the cause of further divisions in Europe. These are important issues especially today after more than three decades of transition, when the world is facing the serious possibility of a new geopolitical division similar to the Iron Curtain.

KEY WORDS: POST SOCIALIST COUNTRIES, GEOPOLITICAL TENSIONS, ECONOMIC TRANSITION, STABLOCRACY

JEL CLASSIFICATION: P20, P16, P51

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THE RULE OF LAW AND ECONOMIC GROWTH: EVIDENCE FROM SOUTHEAST EUROPE

Abstract: The rule of law is a principle that promotes the limitation of arbitrary power. Although there is no universal definition in the literature, this notion encompasses several important topics, including property rights security, government checks, and corruption control, among others. There has recently been a rising body of research showing the importance of the rule of law in supporting economic development, fostering justice, and enhancing democratic abilities in nations around the world.

The paper focuses on understanding the importance of the rule of law for economic prosperity in the countries that geographically belong to the region of Southeast Europe. Consequently, the following countries are included in the analysis: Albania, Bosnia and Hercegovina, Bulgaria, Croatia, Greece, Kosovo, Montenegro, North Macedonia, Romania, Serbia, and Slovenia.

First, we look at the relationship between the various rule of law indicators in the countries we selected. Three key indicators of the rule of law are examined: The World Bank's rule of law index, the Heritage Foundation's rule of law index, and the Freedom House's rule of law index. Even though the philosophy and method behind these competing measures of rule of law differ, the analysis revealed a high correlation between the various indicators. In the second half of the paper, we evaluate the influence of the rule of law on economic prosperity in Southeast Europe from 1996 to 2020. Our hypothesis is that stronger adherence to rule of law principle stimulates economic growth in this region. This hypothesis is supported by the regression model results.

KEY WORDS: RULE OF LAW, ECONOMIC GROWTH, INSTITUTIONS.

JEL CLASSIFICATION: E02, K40, O43

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DEMOCRATIC RESILIENCE AND THE CHALLENGES OF THE POST-COVID ERA

Abstract: The COVID-19 pandemic has generated unprecedented challenges for policymakers around the world – from public health to economy - exceptional in both scale and degree of interconnection. In addition, emerging, as well as established democracies, are struggling to maintain the quality of their institutions. Given the likelihood of the similar interlinked, complex crises in the future, democratic resilience, as the capacity of a democratic system to prevent substantial deterioration in the quality of democratic institutions and practices in the face of internal and external disturbances, is gaining increasing attention. National policymakers should prepare their countries to adapt and recover from such complex shocks. In other words, they must try to build resilience. This

paper addresses the impact of COVID-19 pandemic on the functioning of democratic institutions in Serbia and its democratic resilience. Using the indices of the quality of democratic institutions from the renowned international institutions, our aim is to assess the challenges to democracy and the sources of democratic resilience in the case of Serbia. We will use the Merkel-Luhrmann “four-level approach” to democratic resilience in order to identify the most vulnerable and resilient parts of democratic system in Serbia. The results of our research will point out to pro-democratic policy measures, necessary for strengthening democratic resilience.

KEY WORDS: DEMOCRATIC RESILIENCE, COVID-19, DEMOCRACY BACKSLIDING, INSTITUTIONS

JEL KLASIFIKACIJA: D02, P16, P48

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ECONOMIC DEVELOPMENT AND ENVIRONMENTAL QUALITY: A LITERATURE SURVEY

Abstract: The relationship between economic development and environmental quality is attracting growing interest among scholars. Its best-known representation is the non-linear environmental Kuznets curve, which hypothesizes that environmental pressures increase in the early stages of economic development, but that this trend reverses above a certain level of per capita income, implying that economic growth and development lead to environmental improvement. This paper reviews the existing theoretical and empirical literature on this relationship in the frame-

work of the environmental Kuznets curve, focusing on the European context, and Croatia in particular. It is shown that this framework can contribute to a better understanding of the economic development-environment nexus, despite the criticisms that have been made of the environmental Kuznets curve and the wide range of empirical evidence.

KEYWORDS: ENVIRONMENTAL KUZNETS CURVE, TURNING POINT, LITERATURE SURVEY, EUROPEAN CONTEXT

JEL CLASSIFICATION: O52, Q20, Q32, Q56

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ATTITUDES TOWARDS SCIENCE AND TECHNOLOGY AMONG EUROPEAN UNION CITIZENS

Abstract: In the rapid development of the world, it is important to know how many people are coping with the rapid changes of the 21st century. This paper examines the relationships between European public interest in, knowledge of, and attitudes towards science and technology. Since science and technology are drivers of development, it is important to know how much 'ordinary citizens' value them. Developing science and innovation is a central priority for the European Union. Science and technology are analyzed by research and innovation since they are closely related. The assumption is that the attitudes of European citizens towards science and technology are positive, and the same is examined by the 2021 Eurobarometer questionnaire that will be addressed in this paper. This paper's main objective is to analyze public opinion towards science and

technology, and how does it differ from one country to another in the European Union. Moreover, to analyze public opinion towards science and technology the authors will examine the Special Eurobarometer 516 with 26827 respondents, respectively, from 27 countries in the EU. This Special Eurobarometer provides an insight into perceptions of science and technology and covers different topics (knowledge about science and technology, views on the impacts of science and technology, views on governance of science and technology, and other). Univariate and bivariate statistical methods will be used to represent the results of the conducted analysis.

KEY WORDS: INNOVATION, SCIENCE, TECHNOLOGY, PUBLIC OPINION

JEL CLASSIFICATION: O33

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II

Macroeconomics and Economic Policy

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CHALLENGES FOR THE MONETARY POLICY OF THE WESTERN BALKANS

Abstract: In the paper are analyzed monetary policy of four Western Balkan countries: Bosnia and Herzegovina, Montenegro, Serbia and Macedonia. They have a lot in common with the shared history, the strategic goal of EU accession, and they are small and highly open economies, which are largely dependent on developments in the region and in EU countries. Although they are similar in many ways, they have quite different monetary policy regimes. Bosnia and Herzegovina pursue a currency board regime, Montenegro is implementing strategy of dollarization (euroization), Serbia an inflation targeting policy, and Macedonia targeting nominal exchange rate. Regardless of the monetary policy regime, all countries have faced rising

inflation since the middle of last year, which has accelerated significantly since the outbreak of the Russian-Ukrainian conflict. The paper raises two research questions. The first question is whether the monetary policy regime has an impact on the results achieved, especially when it comes to inflation and the exchange rate. Another question that arises is whether the observed WB countries have effective instruments to counter global inflation or are forced to passively wait for the ECB's reactions.

KEY WORDS: MONETARY POLICY, WESTERN BALKAN, INFLATION, EXCHANGE RATE.

JEL CLASSIFICATION: E40 AND E42.

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MODELING THE INTERACTIONS OF ECONOMIC POLICYMAKERS IN THE CASE OF SUPPLY SHOCKS: A SIMULATION APPROACH

Abstract: Supply shocks are characterized by the movement of prices and GDP in the opposite directions, therefore economic policymakers have to make a choice between the priorities. It turns out that the division of burdens among economic policymakers, operationalized by their coordination, reduces the negative effects of supply shocks and the volatility of macroeconomic variables. In this paper, modeling of interactions between macroeconomic policy makers is carried out within the DSGE model. In addition, the analysis assumes the possibility of regime switching, depending on whether the fiscal policymaker is restrained or aggressive towards the movement of variables that are within the fiscal rule. In order to see the optimal way of conducting monetary policy in the conditions of the possibility of switching the fiscal policy regime, certain scenarios will be simulated. Scenario analysis involves varying the values of the parameters of the monetary policy reaction to deviations of inflation and GDP gap from the target level due to the effect of supply shock. In each scenar-

io, inflation deviations are more significant than GDP gap deviations, which implies an increase in the key interest rate in conditions of supply shock. However, the reaction of the central bank depends on the degree of concern for the GDP gap, because the greater the concern for the GDP gap, the more restrained the central bank's reaction to the supply shock. GDP gap falls significantly as a result of the supply shock, however, less than the fall in consumption. The reason for this lies in the implicit coordination of monetary and fiscal policy, if fiscal policy is responsible and countercyclical. The monetary rule, where the central bank takes into account the deviation of inflation from the target and the GDP gap from zero, gives a reaction to variables where their volatility is minimized.

KEY WORDS: INTERACTIONS OF ECONOMIC POLICYMAKERS, SUPPLY SHOCKS, SIMULATION, DSGE MODEL, COORDINATION OF MONETARY AND FISCAL POLICY

JEL CLASSIFICATION: E31, E37, E52, E61, E63

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ANALYSIS OF KEY INDICATORS OF THE MONTENEGRIN ECONOMY DURING THE COVID-19 CRISIS

Abstract: The paper conducts a study of trends in macroeconomic indicators in Montenegro, as well as an analysis of structural problems of the Montenegrin economy. Among other things, GDP and GDP growth rates, inflation, government public debt, as well as budget and current account deficits were analyzed. The analysis of the structure of the Montenegrin economy tries to reach clear conclusions, the goal is to determine which are the economic segments that require the biggest reforms, and which hindered the faster growth of the Montenegrin economy in the past period. In addition to macroeconomic indicators, and in order to

provide a more comprehensive overview of the situation in the country and the position of the average resident, the paper conducted an analysis of the performance of the Montenegrin economy in terms of living standards and labor market conditions. In the last section of the paper, a review is given of demographic trends in Montenegro, which are becoming a serious problem and lead to a lack of key resource in the country, that is human capital.

KEY WORDS: STANDARD OF LIVING, MACROECONOMIC INDICATORS, LABOR MARKET, HUMAN CAPITAL.

JEL CLASSIFICATION: E01, E24, I31, J11.

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ALTERNATIVE THEORIES OF MONETARY POLICY

Abstract: The outcomes of quantitative easing (QE) programs post-Great Recession have challenged the conventional theory of monetary policy. Alternative theories have offered their explanations for why expansionary policies did not produce inflation. In this context, this paper will apply a theoretical analysis to two alternative views of QE programs and their policy implications: the Fiscal Theory of Price Level (FTPL) and the Market Monetarism (MM). FTPL offers an explanation based on the intertemporal-government-budget equation in which the price level is a relative price of nominal government debt in terms of real resources government can extract via taxation (present value of expected budget surpluses). FTPL claims that QE basically substitutes one type of government liabilities for another type of government liabilities – (interest bearing) reserve money for government bonds, so the overall effect of the program may not be inflationary. The Market Monetarism (MM) is another alternative view to monetary pol-

icy. Although based on the quantity-theory-of-money equation, MM explains why the FED policy during the Great Recession (particularly during 2008 and 2009) was in fact tight (relative to increased real demand for money). According to MM, the increase in base money due to QE programs was in fact offset by a decrease in money multiplier and a fall in velocity of money. But the key policy implication of the MM is that inflation targeting should be replaced by nominal GDP targeting. In this framework, monetary aggregates should be replaced by asset market prices, as indicators for the monetary policy stance and as policy targets. The paper will include assessment of the implications of the two theories for the issue of coordination between monetary policy and fiscal policy.

KEY WORDS: MONETARY POLICY, FISCAL THEORY OF PRICE LEVEL, MARKET MONETARISM, QUANTITATIVE EASING.

JEL CLASSIFICATION: E50, E52, E58, E61.

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MACROECONOMIC POLICY RESPONSE TO PANDEMIC: A PARADIGM SHIFT IN SIGHT?

Abstract: Economic disturbances are always an opportunity to check the validity of an economic theory or paradigm. In the case of the COVID-19 pandemic, an interesting question arises: whether monetary and fiscal policy responses were aligned with a dominant macroeconomic paradigm (New Consensus Macroeconomics) or we are witnessing a paradigm shift to some extent? The analysis in this paper aims to address this question by showing how the abandoning of the sound finance principle due to pandemics opened a room for reaffirmation of the functional finance approach and Modern Monetary Theory. Deficit financing of the aggregate demand was a necessity concerning economic disorder induced by pandemic and the evident inability of monetary policy to address this problem alone due to the liquidity trap. It confirms the rule that, as in all recent economic crises, Keynesian-type economic measures were implemented.

Therefore, at least a slight change in the mainstream macroeconomic model regarding the treatment of the fiscal policy and the role of public debt management is suggested. The main conclusion is that the approach to economic policy and the coordination of the monetary and fiscal measures should be upgraded to provide more flexible mechanisms to respond to economic disturbances. Their role would be to ensure a prompter reaction without previous considerations through the lens of fiscal discipline. Furthermore, the role of fiscal policy should be broadened from traditional public debt management to aggregate demand management, whereas monetary policy could be also used for a temporary reduction of debt burden.

KEYWORDS: MACROECONOMIC POLICY, COVID-19 PANDEMIC, FUNCTIONAL FINANCE, PUBLIC DEBT MANAGEMENT

JEL CLASSIFICATION: B22, E12, E63, H63

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RESEARCH AND DEVELOPMENT EXPENDITURE AND ITS IMPACT ON ECONOMIC PERFORMANCES OF WB COUNTRIES

Abstract: The aim of the research is to analyse the existence of the relationship between the investments of national economies in research and development and macroeconomic performance in the observed time interval. The time dimension of the analysis covers the period of the last 15 years, while in the spatial dimension the focus is on the achieved results of the Western Balkans, both in the terms of whole region, and in the context of the results of each country. Based on the conducted analysis, the results indicate that de-

spite the positive impact of R&D investment on the economic reality of the countries in the region, additional efforts are needed to further strengthen the budget for these activities and better manage sectoral investments.

KEY WORDS: RESEARCH & DEVELOPMENT, WESTERN BALKAN, BUDGET EXPENDITURE, SECTORAL INVESTMENTS, MACROECONOMIC PERFORMANCES.

JEL CLASSIFICATION: B22; O30; F63 011.

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INDUSTRY 4.0 RELATED POLICIES AND NATIONAL COMPETITIVENESS

Abstract: The field of innovative technology implementation has always been followed by a critical regulatory framework designed to establish rules of conduct and practical implications. In practice, there is often considerable time lag between technological innovations and reactions of policy makers in terms of regulatory adjustments. Science and technology related policies could and should be the backbone of technology development support. By designing a thorough set of laws, regulations and initiatives a country can exploit technological advancements as a chance for gaining competitive advantage and enhancing country development. Governments should focus on a proactive approach in policy designs related to technology, technology product providers, financial support, technical contracts, customers etc. World leading countries and their policy makers are aiming

to connect science, technology, innovations and even other peer countries in order to achieve valuable starting positions regarding capital attraction from the Industry 4.0. This literature review-based paper will try to: emphasize the importance of policy framework design for technology advancements; analyze and highlight the most important aspects of regulatory framework structure; provide examples of some usable practice of policy framework design and derive a conclusion on general framework design acceptability and its role in gaining strategically relevant position of a country in Industry 4.0 world market.

KEY WORDS: INDUSTRY 4.0, INNOVATION, INDUSTRIAL POLICY, NATIONAL COMPETITIVENESS

JEL CLASSIFICATION: O14, O38, L52, E61

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III

Labor Economics in Post-Covid World

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THE LABOUR MARKET IMPACT OF COVID-19 AND POLICY RESPONSES: A CASE OF WESTERN BALKANS

Abstract: The aim of this paper is to analyze key policy responses of the Western Balkan economies directed at two crucial inter-related policy goals – preservation of jobs and of incomes of the population. Our findings show that, while there are many similarities in the design of individual measures, quite often through mutual imitation, each government has eventually created its own configuration of measures, idiosyncratically reflecting the way they saw the most urgent needs of businesses and population and available means to meet them. In some more consistent configurations of policy responses, economic or political ideologies that guided them can be

revealed or at least sensed; in other, individual measures within an economy appear to be relatively inconsistent, sometimes reflecting changes in government and sometimes attributable to plain aphorism. As a first approximation, we divide policy responses into those addressing the pandemic crisis by means of stimulus package (Serbia) and those addressing the crisis by means of disaster relief (other economies in the region).

KEY WORDS: COVID-19, WESTERN BALKANS, LABOUR MARKET, JOB RETENTION.

JEL CLASSIFICATION: J21, J28, I18.

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DETERMINANTS OF THE LABOUR FORCE PARTICIPATION IN SERBIA: THE ROLE OF COVID-19

Abstract: The outbreak of the Covid-19 virus pandemic was a global challenge for labour markets around the world, with Serbia being no exception. However, the adjustment pattern in the labour market in Serbia was slightly different than in most European countries. While the unemployment rate rose in most countries, Serbia was one of only a few European countries that experienced a drop in the unemployment rate during 2020 and the only country with such a significant decrease. Instead of being unemployed, workers in Serbia mostly chose to leave the labour market, which reduced the activity rate. The aim of this paper is to investigate if there are any dif-

ferences in the main factors that contribute to the decision to participate in the labour market before and during the Covid-19. In order to determine that, we will use the micro data from the Labour Force Survey. Our assessments of the Covid-19 impact on the decision to participate in the labour market will be based on the comparison of factorial contribution between 2019 and 2020, with the former year serving as a proxy for a regular (non-Covid) conditions, while the latter year serves as a proxy for an external shock.

KEY WORDS: COVID-19, ACTIVITY MODEL, LABOUR MARKET, SERBIA.

JEL CLASSIFICATION: D13, J22.

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THE RETURN OF THE GRANDPARENTS: DETERMINANTS OF PENSIONERS RE-ACTIVATION IN THE LABOUR MARKET IN CROATIA³²

Abstract: Although in the long run we are all dead, there is a not negligible trend, both among economists and politicians, to increase labour market participation as long as possible. Within Croatia's context of relatively young retired population and lack of supply in the labour market this seems like a "free lunch" in the short run. However, there are a lot of uncertainties with respect to the profile of these retired people who are willing to re-activate themselves in the labour market as well as with institutional arrangements and legal regulation of their re-activation. Taking into consideration that migration is currently not seriously debated as a short run solution to our labour market problems, this paper addresses the profile of pensioners who can act as a potential solution. The main goal of the paper is to empirically analyse deter-

minants of re-activation in the labour market of currently retired people. Within SENIOR 2030 project survey was carried out on 701 pensioners. By applying regression modelling, paper reports main characteristics that are behind one's decision to re-activate themselves if they are not active in the labour market after turning 65 years of age as well as preferred occupational status for those who are active in the labour market after 65 years of age. Theoretical foundations of the paper are rooted within behavioural economics and economics of the public sector literature.

KEY WORDS: BEHAVIOURAL ECONOMICS, CROATIA, LABOUR MARKET PARTICIPATION, REGRESSION MODELING

JEL CLASSIFICATION: D78, D91, J40, R20

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THE IMPACT OF LABOR INSTITUTIONS ON SHADOW ECONOMY AND SHADOW EMPLOYMENT IN NORTH MACEDONIA

Abstract: The importance of the informal economy is seen in the fact that more than 60% of world employment operates in some form of informal economy. Additionally, on average, about 35% of GDP in developing countries is generated in the informal sector, while the informal sector in these countries employs about 70% of the workforce. In the case of the Republic of North Macedonia, this proportion ranges from 36% to 24% for the period 2006 - 2021. The aim of the paper is to analyze the impact of the main labor market determinants / institutions on the movement of informal production and informal employment in the Republic of North Macedonia. Hence, for the needs of this paper, two regression estimates are created in which the separate impact of labor market institutions on the movement of the informal economy and on the informal employment, for the period 2006-2021, is analyzed. The following variables are included in the analysis: Labor Freedom, Tax Burden, Business Freedom, Min-

imum Wage, and Self Employed workers. The results of the econometric analysis show that the increase in Labor Freedom and Tax Burden has statistically significant impact on informal production growth, while increase in Business Freedom statistically significantly reduces the informal economy. The increase in the proportion of the minimum wage relative to the average wage causes a reduction in informal production. Regarding informal employment, the obtained results show that the growth of Labor Freedom and Business Freedom has statistically significant impact on informal employment. Also, according to the self-employed, the growth of this category of employment has statistically significant positive impact on the growth of informal employment.

KEY WORDS: DETERMINANTS OF SHADOW ECONOMY, INFORMAL LABOR MARKET, LABOR MARKET INSTITUTIONS, SHADOW ECONOMY.

JEL CLASSIFICATION: J017, J380, J460.

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IMPACT OF COMPUTERIZATION ON EMPLOYMENT IN SERVICE SECTOR IN SERBIA

Abstract: The aim of this paper is to estimate the share of employed in the service sector in Serbia who work in jobs with high probability of computerization, meaning that these jobs are potentially automatable. The definition of the service sector in this context is based on the skills/educational concept and it does not fully coincide with the usual definition based on NACE classification. For the purposes of this research, the service sector was viewed as a relatively homogeneous set of skills, i.e., the set of occupations that are recognized by professional and advisory bodies in Serbia as relevant for national qualifications which belong to the Services sector according to the ISCED classification. We obtain the probabilities of computerization for occupations in focus from the existing literature, which considers not only the potential of automation of the routine but also of the non-routine tasks,

as the result of the recent technological developments. The results show that a significant part of the existing pool of employed in this skill/education sector in Serbia work in jobs that are subject to a substantial risk of job automation. The speed of this change will depend on the pace of introducing innovative technologies and their broader implementation. From the educational planning point of view, these results signal the change of labour demand in the future in comparison to the previous trends due to technological changes and imply the need for continuous harmonization of competencies acquired through education and training with current and future needs of the labour market.

KEYWORDS: LABOUR MARKET, EDUCATION, AUTOMATIZATION

JEL CLASSIFICATION: J24, J62, J29

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THE FUTURE OF WORK, COVID-19 CRISES AND UNIVERSAL BASIC INCOME – CHALLENGES AND QUESTIONS

Abstract: The inevitable process of digitalization that includes all technologies (AI, machine learning, robotics, automation, etc.) is changing the way people work. COVID-19 crises only accelerate those disruptions. While it is evident that the composition of the workforce has changed dramatically over recent decade, the impact of digitalization on the future of work is far from certain. Faced with the abrupt necessity for workers to stay at home, organizations changed their perspective toward working processes. Digitalization is rapidly transforming the labor market. In the paper, short overview of the labor market trends will be presented. Namely, some professions are disappearing, still new professions are emerging. Both events, digitalization as inevitable process and health crises as unexpected event, provoked economic thinkers to rethink the idea of universal basic income (UBI). UBI is less

straightforward than it seems, and its implications are complex and largely unknown. Some aspects of interference between UBI and the future of work will be tackled in the research. The main research idea that will be explained is the possible need to re-examine the idea of UBI in the context of changing nature of labor. Different challenges concerning the implementation of UBI will be discussed, and same real case examples will be tackled in the context of the changing nature of work, amplified by the health crisis as well. The reasons for UBI and its connections with rising number of unemployable citizens, gig workers, part-time workers, temporary workers, and other labor market disruptions will be discussed.

KEY WORDS: ONLINE WORK, COVID-19, UNIVERSAL BASIC INCOME

JEL CLASSIFICATION: J01, G50, H10

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IV
Public Policy
in Post-Covid World

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MIGRATION PATTERNS OF SERBIAN CITIZENS IN THE LAST DECADE: WHAT IS THE NEW EVIDENCE?

Abstract: This paper aims to present the latest trends regarding the migration flows of Serbian citizens in the last decade. Serbia could be regarded as a successful exporter of labour with the share of its citizens living abroad being around 14% of resident population. However, unlike in previous migration waves in the 20th century in the last decade more prevalent patterns are those of circular migration flows of Serbian citizens. Using the latest available evidence, we show that contrary to widespread public perception migration is not depleting the stock of skilled workers in the country. Those with low and middle skills are more numerous among emigrants

and we aim to show the reasons behind these patterns: what motivates temporary work abroad and which public policies are responsible for such a situation. Using comparative qualitative research methods, we aim to show the experiences of other Central and Eastern European countries in encouraging and supporting the return of their national migrants: which strategies countries adopted, what were the pros and cons of those approaches and what good practice examples could be relevant for Serbia.

KEY WORDS: MIGRATION, LOW SKILLED WORKERS, SERBIA

JEL CLASSIFICATION: J61, J68

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THE FINANCIAL BURDEN OF CANCER: ESTIMATES FROM PATIENTS IN SLOVENIA

Abstract: This paper addresses the financial burden of patients with cancer. There is extensive literature on the overall economic burden of cancer capturing direct medical costs and direct non-medical costs as well as indirect costs incurred due to health-related productivity losses from a societal perspective. In Slovenia, the estimated overall economic burden of cancer capturing health expenditure on cancer care, informal care costs and productivity losses from premature mortality and morbidity amounted to about 600 million € in total and 300 € per capita in 2018. While these estimates provide a good insight into the overall burden of cancer, there has been insufficient focus on the burden borne directly by patients and their families. This gap is addressed by our paper providing estimates on both one-off and recurring costs incurred by cancer patients in

Slovenia. Data collected from 412 patients included in an extensive survey capturing both one-off costs before and after diagnosis as well as recurring costs due to informal care, travel costs and other out-of-pocket expenditures for over-the-counter medicines, food supplements, alternative medicine, physiotherapy, psychotherapy etc. reveal a notable financial burden of cancer patients in Slovenia. According to our estimates one-off costs incurred before and after the diagnosis amount to 330 € and 122 € per patient incurring such costs, respectively. Per-patients recurring costs for informal care amount to 188 €, travel costs to 47 € and other recurring out-of-pocket expenditures to 62 €.

KEY WORDS: CANCER, FINANCIAL BURDEN, OUT-OF-POCKET HEALTH EXPENDITURES, SLOVENIA

JEL CLASSIFICATION: I10, I30, P46

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PENSION SYSTEM REFORMS AS A PREREQUISITE FOR INCREASING THE COMPETITIVENESS OF EU MEMBER STATES

Abstract: Competitiveness has occupied economists' attention for decades and there is always a viewpoint that requires deeper examination. Competitiveness means the ability of a country or company to sell its products and services on the world market. A country is competitive when it generates a growing income which increases the living standards of its citizens. Products that the world market will buy more than others are either more affordable or superior in quality. Therefore, in terms of price competitiveness, it is primarily in the segment of labor and resource-intensive product. The level of pension contribution rates can have a significant impact on the price of products. Conversely, a lower contribution rate results in insufficient revenue of the pension system and the generation of budget deficits, and thus a reduction in competitiveness from a macroeconomic point of view. EU member states face continuous

and robust growth in pension expenditures because of unfavorable demographic trends - population aging and migration, but also inadequate growth in pension revenues due to low employment. To mitigate the effects of aging and cope better with the increased costs of pension insurance, countries are implementing various pension reforms, which in turn affect both the economic system and its competitiveness. The paper examines the impact of fiscal policy variables on the level of competitiveness of EU member states, with special reference to variables relevant to the pension system to establish the need of pension reforms for raising the level of competitiveness.

KEY WORDS: PENSION SYSTEM, COMPETITIVENESS, FISCAL POLICY, EU MEMBER STATES

JEL CLASSIFICATION: E62, H55, H60

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THE EFFECTS OF REMITTANCES ON POVERTY AND INEQUALITY ALLEVIATION IN SELECTED CENTRAL AND SOUTH-EAST EUROPEAN COUNTRIES

Abstract: In recent decades, the countries from Central and South-Eastern Europe (CESEE) have experienced sizeable emigration, accompanied by growing remittance inflows. In some countries, especially developing countries, remittances present a significant source of foreign exchange inflow and of income for poorer families. However, empirical research on the impact of remittances on poverty and inequality has yielded mixed results. Most studies find that remittances help alleviate poverty, while the impact on inequality is more ambiguous. This paper empirically examines the impact of remittances on poverty and inequality in 16 countries from the CESEE region. Using the Generalized Method of Moments, we evaluate two specific panel regression models for the impact of remittances on poverty and income inequalities in this group of countries, accounting for the different levels of

economic development and different macro-economic and institutional settings. In addition, the paper also examines whether different institutional quality impacts poverty and inequality. The paper's preliminary results indicate that remittances reduce poverty and inequality in the analyzed countries, and that better institutional quality further improves the obtained results. The results of this paper could have significant implications for policymakers. Given that institutions appear to be important in the way remittances are used and for the benefits that they provide, the best way for governments to ensure that remittances play a role in reducing poverty and income inequality is to foster better institutional quality.

KEY WORDS: REMITTANCES, POVERTY, INEQUALITY, CESEE COUNTRIES.

JEL CLASSIFICATION: F24, I32, D31, C23.

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GROWING OLD IN SERBIA: SOCIAL AND MATERIAL DEPRIVATION OF THE ELDERLY

Abstract: The process of demographic aging has been intensifying since the beginning of the 21st century and Serbia is one of the countries with the oldest population in the world. The largest generation of its “Baby Boomers” reached entirely the old age, which could impose more pressure on already significant socio-economic challenges the country has been facing with.

This research aims to determine the level of social and material vulnerability of the elderly in Serbia. Their living conditions will be compared with those in selected countries of the region and the European Union, whenever it will be feasible.

For a better insight into the issue, the concepts of relative poverty and material deprivation will be analyzed, based on the Survey on Income and Living Conditions (EU SILC). Relative poverty will be examined through at risk of poverty rate, whereas material deprivation

will be assessed through a new indicator – the Severe material and social deprivation rate (SMSD). The indicator was adopted in 2021 for Europe 2030 targets, replacing the Severe material deprivation rate (SMD).

The main contribution of this research is reflected in the descriptive analysis of the household and individual level database, enabling to obtain 13 new deprivation items assorted by age, gender, and the type of household. This detailed and precise insight into deprivation problems is supposed to complement the existing research on the topic as well as to be a starting point for public policy makers when tackling the vulnerability of elderly issues.

KEY WORDS: DEMOGRAPHIC AGING, ELDERLY, RELATIVE POVERTY, MATERIAL DEPRIVATION, SOCIAL DEPRIVATION

JEL CLASSIFICATION: I32, J14, J11

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IMPACT OF COVID-19 ON PRIVATE RETIREMENT SAVINGS IN SERBIA

Abstract: The outbreak of the COVID-19 pandemic and the related economic downturn have been impacting retirement savings, retirement savings schemes, providers, regulators and supervisors, potentially leading to future lower incomes in retirement and important dysfunctions in the market. The main goal of this paper is to investigate how were the key indicators of the voluntary pension funds market in the Republic of Serbia influenced by the pandemic. Certainly, pandemic has had an important effect and we've all had the opportunity to learn firsthand that low frequency high severity events do happen so they are not only scenarios for a tabletop exercise for something that we should expect but something we need to prepare for. The goal will be achieved using secondary data such as the data offered by the National bank of Serbia, OECD Directorate

for Financial and Enterprise Affairs, International Organization of Pension Supervisors, etc. The main findings of this research will be the assessment of the impact of the pandemic on the market of voluntary pension funds in the Republic of Serbia. Also, this paper will present a comparative analysis of the effects of the pandemic on the market of voluntary pension funds in the Republic of Serbia and OECD member countries. Finally, to the best of the authors' knowledge, this study is the first analysis to provide a systematic and comprehensive overview of the voluntary pension funds market in the Republic of Serbia in times of crisis, such as the period of the COVID-19 pandemic.

KEY WORDS: COVID-19, VOLUNTARY PENSION FUNDS, ECONOMIC DOWNTURN

JEL CLASSIFICATION: E44, G23, G18, H55, J32

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V

**Microeconomics
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THE IMPACT OF THE HORIZONTAL DISTRIBUTION OF MEDIA RIGHTS REVENUES IN SPORTS LEAGUES ON COMPETITIVE BALANCE

Abstract: There are two possibilities for selling media rights in sports: either each team sells media rights individually, or the league sells them in a package. In the latter case, teams act as a cartel. This cartel is justified if the individual sale of media rights would make spectators worse off. The negative effect of the cartel is reflected in the higher price of media rights. The positive effect is that small teams can obtain higher revenues than if they sell media rights individually. Thus, the collective sale of media rights enables maintaining a certain level of competitive balance (equal strength of teams) in the league. The European Commission allows the collective sale of media rights at auction if the league sells at least two media rights packages to different media houses for a certain number of seasons. Revenues from the sale of media rights are divided vertically between the mo-

nopoly sports organization and teams and horizontally between the teams themselves. The horizontal distribution of revenue can be such that teams share revenues equally, based on the historical results or based on the number of fans. These criteria can be combined in the allocation of revenue. In this paper, we will analyze sports leagues with different criteria for revenue distribution and determine how they affect competitive balance. The level of competitive balance is measured using the adjusted (unbiased) normalized HHI index. In the leading football leagues, there is no clear relationship between the method of revenue distribution and competitive balance.

KEY WORDS: SPORTS LEAGUES, MEDIA RIGHTS, COMPETITIVE BALANCE

JEL CLASSIFICATION: Z28, L41.

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THE MORALITY OF PRICE GOUGING: A NOTE ON THE NON-WORSENESS CLAIM

Abstract: The articles by Zwolinski and Snyder have given us deep theoretical insights into the price gouging phenomenon. However, Zwolinski's non-worseness claim (NWC) that asserts no serious moral wrongs in a voluntary exchange between two parties that makes both parties better off goes beyond mere preference between the criteria of efficiency and distribution advocated by Snyder and reflects on the ethical justification of the

Pareto criterion. In this paper, we reflect on Nozick's distributive justice, Varian-fairness, Sen's capability approach, and the question of voluntary exchange to highlight some issues with the ethical justification of the NWC.

KEY WORDS: PRICE GOUGING, NON-WORSENESS CLAIM, DISTRIBUTIVE JUSTICE, VARIAN-FAIRNESS.

JEL CLASSIFICATION: D40, D63, D61.

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GAME THEORY AND EUROPEAN RAIL FREIGHT CORRIDORS

Abstract: EU policymakers have introduced the concept of Rail Freight Corridors for competitive transport of freight, with the aim of optimizing cross-border rail traffic and increasing its competitiveness. The backbone of this concept is the introduction of an integrated corridor management approach based on close and strategic cooperation in addressing various obstacles that hinder rail freight transport. Even after more than 10 years since its introduction, although some progress has been made, strong coordination and cooperation between stakeholders along the corridors are still lacking. It is most evident in the areas where national interest in

decision-making prevails. Although setting national interests before the corridor objectives violates the approach toward integrated governance of corridors, the existing legal framework does not contain any instruments to regulate and prevent it. The paper addresses this question by introducing the cooperative game theory framework as a potential tool for re-designing the EU policy framework to improve the international cooperation of countries along the corridor.

KEY WORDS: FREIGHT TRANSPORT, RAIL CORRIDORS, TRANSPORT POLICY, CO-OPERATIVE GAME THEORY

JEL CLASSIFICATION: C70, C71, L92, L98, R48

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BUSINESS CRISIS MANAGEMENT IN THE AFTERMATH OF COVID 19

Abstract: COVID 19 pandemic has caused one of the biggest business crises since the beginning of the 21st century. With almost no exception and in a similar way it has affected both the largest multinational players and the local companies across Europe and globally. In regard to crisis management, the main specific characteristic of this business crisis is its universality. Versatile companies reacted quickly to protect their employees, markets and earnings. Yet others had to cut off their operations.

According to crisis management theory, effective crisis resolution primarily depends on developed prevention strategy. Therefore, it is crucial to analyse the companies' proactive approaches for COVID 19 pandemic including risk prediction and assessment exercises and development of response tools.

Enrooted in general crisis management theory and the theory of crisis PR, the paper analyses problems caused by business crisis due to the outbreak of the COVID 19 pandemic and the position of company management toward business challenges and risks before, during and after the crisis. The general aim is to reclaim the need for crisis anticipation, prevention and development of risk management within a company through

advance strategic planning. Specific goal is to stress the importance of quick reaction through flexibility of people and processes, as well as the ability to introduce innovative practices to minimize the negative consequences of the crisis while turning it into a new business opportunity.

The methodological approach used is case-study method. To collect relevant qualitative data in-depth interviews with top managers in marketing and advertising, corporate communications and/or human resources of five big companies operating in the agricultural sector in Serbia were conducted. With no exception each selected company case analysis showed that the theoretical knowledge in crisis management was not enough to prepare for this crisis even when it comes to large companies operating in the national, regional and even global market, as none of the selected companies' management had predicted the crisis in advance or had a contingency plan to implement in the event of an outbreak.

KEY WORDS: CRISIS MANAGEMENT, CRISIS PR, MARKETING, CORPORATE COMMUNICATIONS, COVID 19

JEL CLASSIFICATION: M00, M30

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CONSEQUENCES OF THE COVID-19 PANDEMIC ON THE APPLICATION OF AGILE METHODOLOGY IN PROJECT MANAGEMENT IN IT ENTERPRISES IN SERBIA

Abstract: It is estimated that 70% of all projects in modern market conditions require an agile approach to project management, and only 20% refer to traditional project management, while the remaining 10% demand extreme project management models. Agile project management focuses on human resources instead of processes, striving for greater stakeholders' involvement and giving freedom to project team members to solve problems independently and make flexible decisions. In the post-pandemic period, the priority role of the project manager becomes communication and project risk management, rather than cost and time management within the set plan.

Following the previously explained phenomena, the objectives of the research are to present the importance of the agile approach in post-pandemic conditions, to define the desired set of characteristics of the project manager and project team members

necessary for quality implementation of project tasks, to consider the intensity of agile approach and the level of project risks. The data for the realization of earlier mentioned goals will be collected through primary research via semi-structured questionnaires and interviews with project managers and members of project teams in the IT industry in Serbia. The principles of the semi-quantitative dynamic methodology of cognitive maps (Fuzzy Cognitive Mapping) are applied to define the initial parameters and variables that will be part of the questionnaire and interview. The results will be described through a unique cognitive map and the outcomes of simulations of the impact of changes in particular parameters on other model parameters.

KEY WORDS: AGILE PROJECT MANAGEMENT, FUZZY COGNITIVE MAPPING, PROJECT PERFORMANCE

JEL CLASSIFICATION: M15, G32

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WEBSITE AS A MARKETING TOOL FOR EXPORTERS: THE CASE OF SMES FROM SERBIA

Abstract: For small and medium firms Internet represent an important medium for internationalization, often seen as a low-cost gateway to the international markets. A corporate website is one prerequisite for developing a successful internet marketing strategy. A corporate website enables a company to communicate with stakeholders worldwide, present the company's vision and mission, products and services, contact potential buyers, and sell to potential buyers. Although SMEs highly rely on internet marketing, academic research on exporters' website characteristics is rare. Against such a background, the purpose of the paper is to analyze specific characteristics of websites of small and medium-sized exporters from Serbia. Website content analysis was conducted on a sample of 120 small and medium-sized exporters from Serbia in order to analyze two

main website attributes: promotional and transactional content. Promotional website attributes refer to marketing communication goals, visibility of exporters and value-adding through customer support, interactivity and personalization. Transactional content refers to exporters' transaction-specific information as content that enables and supports the online sales and buying process. Results will enable a better understanding of the web capabilities of small and medium firms that export and how SMEs utilize different website attributes in their export marketing strategy. Finally, the main implications for government export promotion strategy will be proposed.

KEY WORDS: EXPORT MARKETING, INTERNET MARKETING, SMALL AND MEDIUM FIRMS, EXPORTERS' WEBSITE

JEL CLASSIFICATION: M16, M31

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CAN KEEPING LOWER CORPORATE INCOME TAX RATE IN SERBIA BE JUSTIFIED BY THE TAX COMPETITION ARGUMENT?

Abstract: This paper aims to offer a new, more exhaustive way of resolving disputes that were manifested in frequent changes in the corporate income tax rate (CITR) in Serbia during the last twenty years. Taking this into account, the discussion in the paper will start with one of the main arguments in favor of keeping a lower CITR: the tax competition argument. This argument holds that a lower CITR stimulates the inflow of new capital and prevents the outflow of existing capital. Numerous studies that support this argument will be mentioned. The tax competition argument will then be confronted with two counterarguments. The first counterargument will be based on several studies, two of which include Serbia, that show a lack of statistically significant negative effects of higher CITR on foreign capital inflows. The second counterargument will point out that addi-

tional government revenue accrued from the increase in CITR could be used to benefit society (e.g., by enhancing the judicial system and public schooling). It will also argue that the benefit of such uses outstrips their opportunity costs. To incorporate arguments from both sides, it will be maintained that a few percentage increases in CITR could help in obtaining social benefits without significant negative effects on capital flow. It will be added that a higher increase in CITR could, however, lead to adverse effects and should thus be accompanied by additional tax incentives. To resolve the dispute, certain aspects of the standard cost-benefit analysis will be utilized.

KEY WORDS: CORPORATE INCOME TAX RATE, TAX COMPETITION, SOCIAL BENEFIT, SERBIA

JEL CLASSIFICATION: H20, H21, H25, H30

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