ECONOMIC ANNALS, Volume LXVIII, No. 237 / April – June 2023
UDC: 3.33 ISSN: 0013-3264

https://doi.org/10.2298/EKA2337007P

*Mihail Arandarenko**
*Dušan Pavlović***

EGALITARIANISM AND REDISTRIBUTIVE REFORM IN SERBIA AFTER 2000

ABSTRACT: *We investigate post-communist redistributive policies in Serbia, focusing particularly on the period after 2000. Our main argument is that market fundamentalism, which posits that the market is the most efficient solution for the post-communist transition, has failed to deliver on its promises. The expectation was that, after a temporary transitional sacrifice, the worse-off would benefit equally with the better-off by reaping the rewards of market economic reforms. The anticipated faster growth was supposed to generate more quality jobs as the most effective means to alleviate poverty. Unfortunately, growth has been sluggish, while inequalities in Serbia have experienced rapid and persistent growth since 2000. We look into redistributive reform measures to understand the reasons behind this outcome. Our approach combines applied political philosophy with economic policy analysis – a unique intersection of two social science disciplines. Firstly, our research explores the implicit and explicit normative foundations of post-communist economic reforms. Secondly, we identify and analyse a pivotal juncture of policy reform in the early 2000s. During this period, the newly-adopted neoliberal taxation and social policies were combined with class- and ethnic-based discriminatory approaches inherited from the pre-1990s socialist era and the post-socialist 1990s, respectively. This combination resulted in distinct, notably pro-rich redistributive patterns in Serbia.*

KEY WORDS: *Egalitarianism, equality of opportunity, distributive justice, public policy, redistribution.*

JEL CLASSIFICATION: D31, D63, P36, I38, P2

* University of Belgrade, Faculty of Economics and Business, Belgrade, Serbia, email: mihail.arandarenko@ekof.bg.ac.rs; arandarenko@yahoo.com ORCID: 0000-0002-9608-2164

** University of Belgrade, Faculty of Political Science, Belgrade, Serbia, email: Dusan.pavlovic@fpn.bg.ac.rs; Dusan.pavlovic@mac.com ORCID: 0000-0003-3941-1539

1. INTRODUCTION

The most recent scholarship on transition and economic reforms in post-communist Central and Eastern Europe finds that the past 30 years have been years of unfulfilled expectations and broken promises (Krastev & Holmes, 2019; 2020; Szelényi & Mihályi, 2019; Ghodsee & Orenstein, 2021). What started in the early 1990s as an optimistic process of catching up with the West appears to have resulted in grave economic and social inequalities and democratic decline (Piketty, 2020; Auerbach & Petrova, 2022).

This general assessment hides the wide heterogeneity in inequality outcomes. While economic inequality increased more throughout the post-communist world than among the old EU member states (Blanchet et al., 2020), some countries managed to keep it at comparatively low levels. It is no small achievement that Slovakia, Slovenia, and Czechia still have the lowest Gini coefficient of equalised disposable income in the EU.[1]

Granted, even the designers and early advocates of the post-communist economic policy reforms never claimed that the post-communist transition would be easy (Blanchard et al., 1991). The first analyses predicted that radical economic reform would produce an economic slump, thus creating short-term winners and losers (Przeworski, 1991). While the reforms would be a painful process, they would eventually produce a J-curve shift. After each economy passes through "the valley of transition," everyone should eventually win, recovering their fortunes at varying speed. Unfortunately, this did not materialise. A significant number of losers never recovered even after the economy began improving.

One of the main reasons for the significant rise in inequality has to do with the concept of economic reforms, which were inspired by the then-dominant neoliberal discourse and policy success of the two Reagan and three Thatcher administrations of the 1980s (Appel & Orenstein, 2016; 2018; Fukuyama, 2022). The economic reforms in post-communist Europe were based on the idea of the superiority of the market (so-called market fundamentalism), unmistakably delivering rewards proportional to personal effort and merit.

---

1 Eurostat. https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_di12 (Accessed: July 18, 2022)

Although even IMF researchers have admitted that the neoliberal concept of reforms had produced too few economic benefits and too much inequality (Ostry et al., 2016), more conventional reports on post-communist transition still emphasise the issues of growth, employment and macroeconomic stability, and capital flows, but remain silent about inequality – on which there is nothing to report (Kovtun et al., 2014; Roaf et al., 2014). Late-transition countries such as Serbia, along with other Western Balkan economies, kept on relying on the neoliberal concept of economic efficiency, merit, and equal opportunity, which serves as a driving force behind their current tax, social protection, and labour market policies (Žarković-Rakić & Vladisavljević, 2021).

Our research is about normative foundations of post-communist economic policy and their implementation. We argue that the Serbian version of neoliberal post-communist reforms in redistribution and social protection was especially unjust because it was based on a combination of old and new sets of discriminatory policies, resulting in unfair distribution leading to uniquely unequal outcomes. The first, class-based discrimination, was inherited from socialism, where it was aimed at small-scale private farmers and other citizens outside of the socialist sector. The neoliberal reforms extended this discrimination against the lower income strata in general. The second set of discriminatory policies was crafted in such a way to target certain ethnic minorities implicitly. It was developed during the rise of ethnic tensions in the late communist and early post-communist period (Drezgić, 2008), to be later merged with class-based discrimination through family policy reforms during the early transition.

We offer several insights in research on post-communist economic and institutional reforms. From the public policy perspective, we built on the previous research in this area (Pavlović & Arandarenko, 2011; Arandarenko & Pavlović, 2022). We argue that the neoliberal approach to post-communist reforms in Serbia (and by extension in other Western Balkan countries) favoured the better-off but was discriminatory toward the worse-off, especially if they belonged to certain social strata and ethnic minorities.

There is ample evidence that post-communist economic policies were neoliberal, as documented by Orenstein (2009), Bohle and Greskovits (2012), Bugarič

(2016), Appel and Orenstein (2016; 2018), Ther (2020), and others. However, the post-communist reforms were not only about making the unproductive and command-driven socialist economies work more efficiently. Crucially, the neoliberal policy approach contained a specific conception of justice and equal opportunity that favored certain social groups and handicapped others. This redistributive aspect has never been openly proclaimed because it would have run contrary to the initial promise of 1989, under which economic and political reforms would improve the lives of all. We also argue that post-communist economic policies were close to the utilitarian philosophy, where the sacrifice of some (aptly named "transition losers") was justified for the greater good of many.

From the political philosophy perspective, we draw on the egalitarian concept of equal opportunity, which we contrast with the neoliberal concept of equal opportunity. It is the latter, rather than the former, that inspired the post-communist market reforms after 1990. We believe that the absence of the egalitarian concept of equal opportunity from post-communist reforms is what explains the reform paths and growing inequalities in most of the post-communist world. Unlike the neoliberal and libertarian approaches that are either against equal opportunity (Cavanagh, 2002), or establish the equality of opportunity as a legal concept and insist on personal responsibility and choice (Mankiw, 2010), we contend that personal choice depends in the first place on social position, including but not limited to access to and quality of education and health services, and the material position of individuals at the start of their lives. One's early-life circumstances, such as parents' place in the wealth and income distribution, access to education, health, and other public services, are critically important in predicting individual life outcomes (Savage, 2015). Similarly, at a time of major economic and social transformations, the rules of the game radically change, and individuals might find themselves in a much worse position typically not so much due to lack of effort or skill, but rather due to unfavorable circumstances. The chances of success are equal only if all economic and social factors beyond individuals' control are equal. In this part of the argument, we draw on the egalitarian concept of distributive justice (Rawls, 1999; Scanlon, 1982; Barry, 2005) and luck egalitarianism (Rakowski, 1991; Dworkin, 2000; 2003; Segall, 2013; Frank, 2016).

The structure of the paper is as follows: Section 2 presents key aspects of the egalitarian theory of justice and examines relevant literature on the neoliberal underpinnings of redistributive economic policy in Serbia post-2000. In Section 3, we develop a normative framework rooted in the egalitarian concept of equal opportunity, which serves as the basis for evaluating neoliberal economic policies and proposing redistributive and rectificatory policy recommendations. Section 4 examines redistributive policies implemented in Serbia after 2000, including insights from key policy architects, to demonstrate that these policies have exacerbated inequalities and inflicted further hardships upon the worse-off – a departure from the promises made in 1989 in Central and Eastern Europe and in 2000 in Serbia. Finally, Section 5 provides concluding remarks.

2. TRANSITION AND DEBATES ON JUSTICE

Since Rawls published *A Theory of Justice* in 1971, the issue of social justice and redistribution has been high on political philosophers' theoretical agenda. Rawls' original idea was to justify the redistribution of resources against the then-dominant paradigm of utilitarianism and the principle of average utility. Rawls was specifically concerned with the version of utilitarianism proposed by Henry Sidgwick (1907)[2] and the idea that principles of justice can be reduced to the rational choice of one man (Rawls, 1999, p. 23–4). This version of utilitarianism was grounded in the benevolent spectator perspective, which, in Rawls's interpretation, justified the sacrifice of particular people if an act (or policy) increases average utility in society. Under this view, one person may, as a matter of temporary sacrifice, give up certain things "for the sake of a greater advantage later" (*ibid*. p. 21). In contrast, society, Rawls believed, must not embrace such a principle. Society must never sacrifice some social groups, however temporarily, for the greater advantage at a later point. The life of every individual is worth the same and we should not justify a society that allows a rise in average utility at the cost of the well-being of some people (*ibid*. p. 3). The crux of the problem here is

2 In *A Theory of Justice*, Rawls refers to Sidgwick's *Methods of Ethics* (first published in 1874). But some of Sidgwick's policy views about distribution were also discussed in Book III of *The Principles of Political Economy* (first published in 1887).

that "utilitarianism does not take seriously the distinction between persons" (*ibid*. p. 24).[3]

Rawls' main theoretical device to construct fair principles of justice was the original position, which contained a veil of ignorance. It was supposed to suppress personal identities (specifically age, ethnicity, and class origin) and the talents of individuals who negotiate the principles of justice. The principles of justice selected in such a way (individuals negotiating behind the veil of ignorance) would help avoid a status-quo stalemate due to vested interests, and would have to be egalitarian, thus guaranteeing basic rights and also equal opportunities. This part of Rawls' theory is highly relevant for our analysis because of class and ethnic inequalities during Yugoslav communism and the post-communist period in Serbia discussed in Section 4.

The debate on justice has branched off into several directions and encompassed many different scholars. However, it was mainly about philosophical foundations and less about policy implications (Arneson, 2007). Interestingly enough, the fall of the Berlin Wall in 1989 and the breakdown of communism in Europe and Asia did not seem to inspire contemporary debates on justice in post-communism (Ivanov, 2023). Marxism and its concept of justice ceased to be official state ideology, but the participants in the general debates on justice remained silent on what would be a just transition (Ivanov, 2023).[4] Throughout the 1990s, there was no egalitarian conceptualisation of the post-communist transition, which is difficult to explain given that many of the leading egalitarian political philosophers (Rawls, Dworkin, Barry, etc.) were still intellectually active in the 1990s. They did debate distributive issues of their era but only in the US and Anglo-Saxon world. The topic of distributive justice in post-communist societies did not deserve a more prominent place in a more recent introduction to political philosophy (Wolff, 2006), and some suggested that distributive justice should not

[3] Granted, Rawls's theoretical problem was that, in *A Theory of Justice*, he himself wanted to derive non-utilitarian principles of justice from rational choice, which, as argued by Harsanyi, was impossible (Harsanyi, 1975). In the subsequent work (that led to the publishing of *Political Liberalism* in 1993), Rawls dropped rational choice and derived the principles of justice from the Kantian autonomy of the person (Pavlović, 2005; 2014).

[4] We leave out the discussions on transitional justice, mainly about human rights abuses during communism. We also leave out the newer concept of just transition in the context of adjustment to climate change.

even be among the primary objects of political philosophy anymore (Larmore, 2020, p. 5).

Early economic studies on inequality in former communist countries were mostly descriptive. An early general overview was provided by Milanović (1998). While Central and Eastern European countries managed to roll back inequality thanks to their social safety net (Garner & Terrell, 1998), the redistributive institutions in Russia were regressive, which increased inequality further (Commander et al., 1999).

Due to the apparent lack of engagement from political philosophers and welfare economists regarding the challenges faced during the post-communist era, the void was filled with the ascendancy of neoliberal discourse through what could be described as a Kuhnian paradigm shift (Aligica & Evans, 2009). These novel ideas found expression in informal agreements such as the Washington Consensus, and academic policy studies such as *Reform in Eastern Europe* (Blanchard et al., 1991), *The Road to a Free Economy* (Kornai, 1990), as well as numerous reports produced by the IMF, the World Bank, and the EBRD. This approach primarily drew from the prevailing economic policy discourse of the time, which encompassed Thatcherism, Reaganomics, economic rationalism, monetarism, neoconservatism, and market fundamentalism (Aligica & Evans, 2009). Intellectually, it was rooted in the traditions of the Chicago, Austrian, and Geneva schools. Notable economists who served as key influences in this tradition (albeit not explicitly identifying as neoliberals) included Milton Friedman, Gary Becker, George Stigler, Ludwig von Mises, and Friedrich A. Hayek (Slobodian, 2018; Fukuyama, 2022). While none of them embraced egalitarian political philosophy, a few, like Friedman, developed principles pertaining to social policy.

The first post-communist policymakers not only accepted neoliberalism as the main ideology and policy approach but became its avant-garde at the global level (Appel & Orenstein, 2016; 2018). They started a kind of race on who would implement neoliberal ideas better and more fully. In some countries, it was combined with class and ethnic discrimination. The latter was partly inherited from socialism (for example, to some degree in former Yugoslavia, as will be discussed in Section 4), or in some cases turned upside down, such as in Baltic states after they regained independence, with many long-time Russian residents becoming ineligible for welfare benefits (Reardon, 1996; Bohle & Greskovits, 2012). Both class and ethnic discrimination implied the adoption of an intertemporal average utility principle under which the brighter future of all justified the temporary sacrifice of some – as opposed to the Pareto utility criterion.

Encouraged by the belief that the market will solve most post-communist social problems (the losers will find new jobs in the new private sector), Central European, Baltic, and eventually Western Balkan governments started to downsize social protection institutions such as free health care and free access to education, as well as to restrict a set of broad rights related to employment, which was practically universally enforced (except in Yugoslavia) under socialism, although a significant component of it was overemployment (Adam, 1984; Gimpelson, 2002).

Granted, the post-communist governments introduced residual programmes for poverty reduction, but the main long-term problem of the post-communist transition was not only poverty but growing inequality. The promise was that leaving communism and catching up with capitalism and the West would be beneficial for everyone ("the tide lifts all boats") and that nobody would be left behind. While temporarily in the valley of transition, countries should focus on dealing with poverty rather than inequality. The increase in inequality, which was low during socialism, was often seen as instrumental in shortening the duration of transition by sharpening the work incentives, as described in Milanovic (1998). This belief has important repercussions because most social programmes in the post-communist economies were about alleviating destitution and absolute poverty of the transition losers, but were not about containing inequality and facilitating equality of opportunity. Poverty indeed may have been reduced after a certain period of time, but inequality grew rapidly – by some nine Gini points on average during the first six years of transition (Milanovic, 1998) – and has stayed elevated or grown further ever since (World Inequality Database, 2020).

Beyond the averages, the spectrum of income inequality outcomes (measured by Gini coefficients) during the transition has roughly reflected the intensity of adoption and preservation of neoliberal policies. In a very simplified generalisation, countries of Central and Eastern Europe took a pragmatic transition path, countries of the former Soviet Union and the Balkan countries opted for a market fundamentalist path, while Belarus largely abstained from reforms. Combined with initial positions along at least three additional dimensions (level of economic development; level of inequality; the universality of social protection instruments) this resulted in vastly different income inequality outcomes across the transition universe. The Czech Republic, Slovakia, and Slovenia managed to maintain the Gini coefficient in the mid-20s, as did Belarus, for different reasons. Croatia, Poland, and Hungary had Gini coefficients in the low-to-mid 30s during the past decade, while the Western Balkans, Romania, Bulgaria, and the Baltic states had Gini coefficients in the mid-to-upper 30s. Finally, Russia and other countries of the former Soviet Union had the highest income inequality, typically in the low-to-mid 40s.

3. TRANSITION AND EQUALITY OF OPPORTUNITY

In our interpretation, neoliberalism contained three implicit concepts that informed public policy in the post-communist transition. The first is individual choice (responsibility for one's actions), the second is that of merit and desert, and the third is that of formal equality of opportunity. Not all of these three concepts were explicitly formulated in economic policy reports and structural adjustment and reform programmes of the time because some of them come from political philosophy rather than from economic theory. But they were nevertheless present, and inspired public policy advisors and makers in post-communist economies.

a) Individual choice and responsibility

Responsibility for personal choice was famously introduced and formulated by Milton Friedman in *Capitalism and Freedom* (1962). Friedman contrasted individual liberty and individual responsibilities with a paternalistic state that helps individuals, thus diminishing individual responsibility in society. The state, in Friedman's view, had too much responsibility in fiscal and monetary policy matters, wage-setting, labour market legislation, education, and health, eroding the role of the market in these areas. The small role of the market, according to Friedman, led to poorer services and outcomes in these sectors. Friedman was known for his negative attitude toward government – when it gets involved, it makes things worse.

The idea of personal responsibility was embraced by most mainstream economists who had something to say about the post-communist reforms of the early 1990s. In its neoliberal form, it was carried to the extreme (Fukuyama 2022). It had its prominent advocates in Serbia too (e.g. Begović et al., 2008). The market was supposed to make people responsible for their choices and their destinies. But more than that, it was supposed to determine the right position for individuals in economic and social progress. Depriving individuals of an active and responsible role in economic and social progress by giving them more than they rightfully received on the market could make them parasitic agents of society (Begović et al., 2008, p. 46). On the other hand, highly productive individuals have a special role in creating the conditions for progress and growth, and a responsible state needs to support, rather than discourage, these valuable individuals.

b) Desert and merit

The market was not only understood as a more efficient tool to solve communism's problems. It was also designated as a criterion to determine the moral worth of a person and to judge their skills and positions. The only way to design a proper system of distribution is to take into account the contribution to society that each person makes. Those who can survive on the market are more valuable than those who cannot. They deserve what they have. Merit is the major concept to guide market allocations, and any kind of allocation from market interaction is fair. The idea was expressed by Gregory Mankiw in the form of Just Deserts Theory:

"People should get what they deserve. A person who contributes more to society deserves a higher income that reflects those greater contributions. Society permits him that higher income not just to incentivize him, as it does according to utilitarian theory, but because that income is rightfully his. This perspective is, I believe, what Robert Nozick, Milton Friedman, and other classical liberal writers have in mind. We might call it the Just Deserts Theory" (Mankiw, 2010, p. 295).

c) Equality of opportunity

As already pointed out, the primary long-term problem of the post-communist transition is not poverty but inequality. We, therefore, assign critical importance to the concept of equality of opportunity for our analysis. Equality of opportunity as a fully developed concept has been almost entirely absent from the discussions of social justice in transition after 1990. It appears in international reports and documents only during the second part of the 2010s (EBRD, 2016; Peragine & Biagi, 2019), when most of the transitional processes and key distributive reforms were practically over.

This does not mean that some implicit concept of equality of opportunity was not present in the economic transformation of post-communist economies. On the contrary. It was, however, largely understood in legal and market terms. Equality of opportunity, so understood, is basically about careers being open to talents and merit. This is called formal equality of opportunity (Rawls, 1999). The basic idea is that only those who decided to invest effort to obtain knowledge, skills, and education should be awarded advantageous social positions (Arneson, 2013).

This formal concept of equality of opportunity was the underlying principle of public policy reforms in Central and Eastern Europe after 1990 – the market became the ultimate judge concerning who should benefit from the reform by advancing on the social ladder. This manner of assigning moral worth to individuals according to their market capabilities has recently been defined by the political philosopher Sandel as a "tyranny of merit," which created two different classes of people – winners and losers. They both deserve their social and economic positions, but, among the winners, it creates meritocratic hubris, while in the losers it creates humiliation, resentment, and shame (Sandel, 2020). This is one of the main causes for the rise of conservative and right-wing forces in Western democracies, but also for a great disillusionment with the post-communist project in general (Krastev & Holmes, 2019; 2020; Sandel, 2020; Liebich, 2022). In a similar vein, Collier (2018) proposes that the growing gap between winners and losers within rich Western nation-states is tearing the social fabric apart. While winners outsource solidarity with their less fortunate compatriots to the welfare state and take interest in global affairs and act as global citizens, losers remain loyal to their nation or race as their main remaining source of identity and pride, increasingly adopting right-wing ideologies.

In contrast to a formal understanding of equality, we define equality of opportunity as a three-dimensional concept that consists of rights, opportunities, and resources, and adopt the following definition: "[A]n opportunity to do or obtain something exists for me if there is some course of action lying within my powers so that it will lead, if I choose to take it, to my doing or obtaining the thing in question" (Barry, 2005, p. 20).

We believe that this definition is suitable for transition, which we see primarily as a redistributive process. Transition is, therefore, essentially about creating new institutional design that determines who gets what in terms of rights, opportunities, and resources.

The formal concept of equal opportunities is starkly opposed to an egalitarian understanding of equal opportunities which, apart from rights and opportunities, focuses – crucially – on resources. The major point of this conceptualisation is that people may have rights and legal opportunities to do certain things, but may not have the resources to use these opportunities. We rely not only on the work of Brian Barry (2005), but also on some mainstream economists that more recently started to deploy this concept of equal opportunities in the EU, the EBRD, and World Bank reports by referring to a choices-vs-circumstances distinction (Peragine & Biagi, 2015; 2019).

The formal concept of equality of opportunity (career paths open to talents) was exclusively grounded in a reductionist understanding of rights, meaning that equal opportunities were respected if every person able to work had the right and obligation to compete in the market (Rawls, 1999; Arneson, 2013). Those who failed could only count on their own fallback (including insurance) income, wealth (if any), and family solidarity, before turning to government for last-resort assistance. This reductionism was wrong because it ignored not only the unequal socio-economic starting positions at the beginning of transition, but also the fact that transitional reforms reshuffled the entire structure of economy and society. Redistributing the opportunities and resources without a firm footing in egalitarianism, transition created new, or confirmed old, "circumstantial" and "luck" winners and losers. Equality of opportunity remained as elusive as ever.

4. IDEOLOGICAL UNDERPINNINGS, EVOLUTION AND OUTCOMES OF REDISTRIBUTION POLICY IN SERBIA

In this section, we attempt to sketch the main features of redistributive policies under socialism and during the neoliberal transition in Serbia. Our main claim is that foundational principles and practical implementation of redistributive policies departed from the egalitarian concept of equality of opportunity both during communist rule and in the course of neoliberal socio-economic transformation.

a) Redistribution under socialism (1945-2000)

The socialist Serbian welfare state was in some important respects different from the Western welfare states. Declaratively, social policy measures were organised on the basis of solidarity and reciprocity, which are classical social-democratic principles, as well as "socialist humanism," which was a distinctive socialist self-management construct. The essential aim of social policy was to be "the concrete expression of the interests of working people and the accomplishment of human well-being and happiness" (Milosavljević, 1987). The need to emphasise the "interests of working people" and "socialist humanism" indicates the instrumental role of redistribution policy, and hints at its selective, rather than universal nature.

On the one hand, within the socialist sector of the economy, redistribution and social protection policies were meant to eliminate all forms of exploitation and to secure the realisation of the key distributional principle of socialism, preventing social differentiation not grounded on the principle of remuneration according to the results of work performed. On the other hand, the system was meant to facilitate "socialist development" by supporting the socialist sector and effectively discriminating against the private (non-socialist) sector of the economy and those engaged in it, comprising mainly farmers, self-employed workers, and members of a limited number of free professions, such as lawyers, musicians, and the like. It also discriminated against those outside of the formal employed labour force, including rural and urban underclasses. This discrimination was twofold – in terms of market exchange and in terms of access to social benefits and services.

In terms of market exchange, first and foremost, there were limits to owning property. Farmers were allowed to have up to ten hectares per family. They faced market exploitation through the so-called "price scissors" (Madžar, 1990), where the state as monopolistic buyer determined the prices of key agricultural products, typically below their full market value. In addition, it often delayed payments to farmers for prolonged periods, effectively charging farmers inflation tax (seigniorage). Outside agriculture, small owners were allowed to employ a limited number of workers, (up to ten) provided that they worked alongside their employees and were subject to regulations restricting their capacity to make a profit and expand their business. It was only in response to the economic crisis of the 1980s that the regime significantly liberalised the environment for private sector activity through the Enterprise Law in 1988 (Bartlett, 2007).

Apart from market discrimination, farmers and other self-employed people faced discrimination in eligibility for social insurance programmes – pensions, health, unemployment, and housing. They had full access to education and limited free access to emergency health services and could join special pension schemes for self-employed or farmers, the latter providing much lower pension benefits than those in the socialist sector (Bartlett, 2013).

In contrast, the "working people" in the socialist sector, apart from benefitting from market distribution due to "price scissors" and other mechanisms, also enjoyed generous direct benefits provided by the extremely comprehensive Bismarck-type social insurance system that included not only pension, unemployment, and health insurance but also the possibility to obtain a "social" apartment – the size and quality of which were roughly proportional to professional status as well as to family size (Milanović, 1990), while the waiting period was negatively correlated with the power position within the firm or the Communist Party. In addition, many other social services and fringe benefits, such as vacation and child-care facilities, meal vouchers, and holiday allowance, were provided within socialist firms. Solidarity and reciprocity – these quintessential twin social-democratic principles – indeed existed to a large, but not full, extent among working people within the socialist sector.[5] However, they did not extend to citizens outside this sector. In a way, the generous welfare state was made possible within the socialist sector because of its exclusivity, and because the rest of the society subsidised it (Deacon & Stubbs, 2007).

When it comes to social assistance programmes, there was a rudimentary means-tested minimum income programme, for which it was difficult to qualify except

5 Workers having more "production means" (that is, collective capital) at their disposal were in principle better off. The same applies to federal units – there was no effective mechanism to secure long-term convergence between republics and autonomous provinces (Gligorov, 2004).

for landless rural dwellers as well as workless urban families. There were several changes in the regime of child benefits, back and forth from means-tested to quasi-universal, but until the late 1980s the benefits hardly ever included children of parents employed outside the socialist sector (Matković et al., 2014).

Milanović (1993) aptly explained the ideological motives behind minimal poverty protection in socialism: "The socialist welfare system differs from the (Esping-Andersen's) three capitalist worlds by virtue of an almost total absence of transfer targeting…the Communist state, whose philosophical foundation is that everybody should work, preferably in the state sector, tends to regard the poor as unworthy of sympathy and aid… they are accidents who live at the societal margin" (Milanovic, 1993).

In an economy dominated by collective ownership controlled by the party-state, there was little need to introduce progressive direct taxation. For developmental and ideological reasons, instead of redistributing from the more to the less affluent, the government ensured that net redistribution went from the non-socialist to the socialist sector. But the key means to achieve this was through the quantitative limitation of property ownership and state control of market outcomes (pre-distributive intervention), as well as differentiated eligibility for transfers (redistributive intervention). With the government having all these powerful instruments at hand, progressive taxation was not only near redundant, but was also considered to go against the socialist principle that a person's pay should reflect their true work contribution.

During the last phase of communist rule in Serbia, between the late 1980s and the end of the 1990s, when class discrimination in redistribution started to wane, ethnic discrimination in family transfers reemerged in a somewhat disguised, but even more direct, form than before, when it was only a secondary consequence of the fact that some ethnic groups in Serbia were less represented in the socialist sector – primarily Roma, but also Albanians and Bosniaks. The politically charged issue of a declining Serbian population and a rapidly growing Albanian population was framed as a more neutral issue of "population-declining" vs. "population-expanding" regions (as aptly described in Drezgić, 2010). Allegedly to reduce these demographic disparities, a policy of regionally differentiated access to child benefits was proposed (Matković et al. 1999), in effect discriminating against Albanian and Bosniak children. A related aspect of this policy, carried over from the earlier regulation, was the limit of eligibility for child benefits to four children per family, allegedly supporting "responsible parenting" (Rašević & Mijatović, 2002) while in practice discriminating mostly against Roma children.

b) Critical juncture – redistributive reforms post-October 2000

The October 2000 political change was certainly the most important critical juncture when it comes to reforms of redistributive policy in Serbia since 1945. The context for redesign was very unfavorable. After it restored previously suspended membership in the United Nations and key international financial institutions in early 2001, Serbia (still within FR Yugoslavia with Montenegro) became eligible for favourable World Bank IDA loans. One of the conditions for the use of these loans was that Serbia prepare a Poverty Reduction Strategy Paper (PRSP). Although on paper PRSPs were intended to add social dimension to structural adjustment programmes and to strengthen national ownership, the creators of the reforms very much followed the script of the Washington Consensus, and sometimes went even further. The role of the European Union was still minimal (Arandarenko, 2004).

The tax-benefit system was radically reconfigured between 2001 and 2003 with the comprehensive reforms of direct taxation, social insurance schemes, and social assistance programmes, and completed in 2005 with the introduction of value-added tax (VAT). The education system and the delivery of health services were also reformed, introducing additional elements of marketisation, a process that started as early as in the 1990s.

We do not discuss privatisation as a major instrument of wealth redistribution for two reasons. First, in the literature on Serbian transition, privatisation received considerably more attention than the changes in redistribution rules. Second, in the longer run, the impact of tax-benefit reforms is stronger because the initial distribution of resources impacted by privatisation would gradually be reshaped by the quasi-permanent features of the tax-benefit system. Still, a more detailed analysis of the choice of the privatisation method post-2000 and the impact of the privatisation process on wealth redistribution would further support our key argument. The new government opted for sales privatisation, rejecting the existing insider privatisation (employer-employee buyout) regime as well as voucher privatisation as an alternative. Both alternative methods would have created, at least initially, a more disbursed ownership structure and would have led to lower wealth inequality.

Labour taxation reform

Contemporary writings of the architects of this radical labour taxation reform confirm that its design was not just a half-cocked imitation of the flat-tax revolutions in Eastern Europe fashionable at that time (with Russian reform of January 2001 serving as the closest model time-wise and in terms of design). On the contrary, it was a part of a relatively coherent reform design with a strong ideological underpinning. These ideas are quite clearly expressed in Arsic et al. (2001):

"Change(s) in the fiscal treatment of wages and salaries encompass: a) shift to the system of gross wage…; b) tax exemption for minimum wage was abolished; c) luncheon bonus and vacation vouchers are included in gross wage; d) introduction of minimum base for each qualification and a maximum one for levying contributions. [These reforms] have strong impact on depressed sectors (e.g. textile, metal processing etc.) in which the dominant part of take home income were previously nontaxable allowances. This puts the strong pressure on them to restructure or close down."

As is clear from the above quote, the reformed labour taxation system, introduced at the very start of the transition, put a heavy burden on low-wage workers as well as the firms that were the main source of their employment by increasing non-wage labour costs. This made such firms less attractive in the privatisation process and also discouraged new investment in labour-intensive sectors and regions (Arandarenko & Vukojević, 2008). "Strong pressure" was apparently too much pressure for many firms and workers in low-wage industrial sectors. Formal employment in manufacturing, according to national establishment survey data, plummeted by almost 50 per cent during the 2000s – from 620,000 in 2001 to less than 320,000 in 2010. Despite average GDP growth rates of around 5 per cent, formal employment in the rest of the economy (that is, excluding manufacturing) remained practically unchanged, at around 1,500,000 in both 2001 and 2010. The drop in total employment, according to a labour force survey, was double the drop in formal employment, from some 2.9 million in 2004 to less than 2.3 million in 2010 (Arandarenko, 2011).

The overall taxation reform was guided by the principle that the "tax system should not fulfill social support function because it is not, by definition, targeted to the poor" (Arsic et al., 2001). This was an extremely purist interpretation of neoliberal recommendations regarding the taxation policy of the time, which, while arguing for the broadening of the tax base and a higher share of "less distortive" indirect taxes, preferred "moderately" progressive personal income tax rates and were not against lower indirect tax rates for essential products.

The initial reform of indirect taxation increased the prices of basic goods. Arsić et al. (2001) estimated that its total effect on the reduction in purchasing power of the population was some 6 per cent. This was offset by the reduction in contribution rates of 10 per cent, which resulted in an almost proportional increase in wages.

"However, the effects of tax reform are unevenly distributed, hitting adversely social layers whose wages are by 5 per cent or more below the average in Serbia, since they previously had the large share of non-taxable income (fringe benefits). Thus, in the case of these layers, the real wages grew (due to lowered contributions) less than 5 per cent, which compared to 6 per cent increase in the prices of basic goods, implies decrease in their real incomes" (Arsic et al., 2001).

The architects of the taxation reform were thus apparently undisturbed by the fact that its overall impact was such that the bottom half of wage earners (and most likely the bottom 55-60 per cent, since wage distribution is always denser below the average wage) saw their real take-home wages drop due to this taxation reform, while the opposite was true for the top half – with the gains becoming larger in absolute and, crucially, relative terms as one went up the wage ladder.

Pension system reform

One of the stated goals of labour taxation reform was to raise the future pensions of low-wage workers in "depressed sectors" by reducing their take-home wages and forcing them to pay higher contributions instead. However, the 2003 pension reform made this goal harder to achieve, even for those low-wage workers who were able to preserve their jobs. The stated goals of the pension reform were, among others, the establishment of firmer links between the level of pension and paid contributions and the "reduction of overly liberal (that is, too generous) and redistributive elements in the system" (Matković, 2005). Thus, mirroring the labour taxation reform, pension benefits were intentionally decompressed by parametric reforms. The changes in retirement rules included the reduction of the ratio of minimum pension to average wage as well as the use of the entire wage history for the determination of pension benefits instead of the ten best years. These changes were introduced retroactively, with a profound impact on pension inequality. The new pension rules implied lower relative pensions for the circumstantial victims of the disastrous 1990s and jobless 2000s even though it was clear they could not have full agency over the fate of their firms or their own job prospects during the prolonged labour market slump.

The increase in pension inequality was one of the reasons for the increase in the share of pension expenditures in GDP, which required more additional financing from general taxation. In 2009, general tax revenues worth as much as 5 per cent of GDP had to be allocated to cover the deficit of the pension fund, while only 0.08 per cent of GDP was spent to top-up lower "earned" pensions to reach the level of the minimum pension (Stanić, 2010).

Although pensions are basically proportional to past earned wages of pensioners, the budget-financed part of these pensions is predominantly financed from indirect taxes, which account for over two-thirds of all tax revenues (excluding social contributions) and are known to be regressive. Furthermore, indirect taxes are paid by all, including those who are not, nor will ever become, beneficiaries of PAYG system. Thus, the joint distributional impact of pension benefits and their financing is somewhat regressive.

On the macroeconomic side, the increased pension expenditures have become one of the major sources of fiscal imbalances and have crowded out other potentially more pro-poor or pro-growth expenditures such as social investment (education, health, housing) or public investment (public infrastructure).

Social assistance reform

Non-contributory social protection schemes aimed at the poor became increasingly austere and most conditions were tightened compared with those of the previous regime. Targeting of social assistance became stricter and administration more complex, creating a large error of exclusion, while maintaining a very small error of inclusion (World Bank, 2015). Income ceilings for assistance eligibility were based on relatively low consumption needs. In the second half of the 2000s, the absolute poverty rate was estimated to be only 6–7 per cent, although the unemployment rate was around 20 per cent and large segments of the population were without regular income. Benefit amounts (also serving as eligibility thresholds) were indexed by the inflation rate, while other incomes grew much faster. In 2008, for example, expenditure on guaranteed minimum income benefits was only 0.14 per cent of GDP. However, due to strict and often discriminatory rules, only around 20 per cent of households in the poorest decile fulfilled all criteria to receive financial assistance, and the actual take-up was even lower (Arandarenko et al., 2013).

Programmatic statements on the nature of social protection reform insisted on the need to transform the role of the state, including by withdrawing social policy from enterprises, basing social protection on sound financing, and facilitating greater responsibility of the individual to provide security for him/herself and his/her family (Matković, 2005). In addition, as mentioned, one of the goals of the taxation system reform was to move the elements of non-targeted social policy from direct and indirect taxation to interventions targeted at the poor. In practice, it ended up in the near-denial of poverty. The poor and vulnerable people were left largely to fend for themselves.

In contrast to social assistance, the employment-based non-contributory schemes – which are as a rule insurance-based in other countries – became increasingly generous. For example, the duration of maternity leave was extended to one or two full years with a 100 per cent replacement ratio without a ceiling. This, by design, disproportionately benefitted upper-income deciles, while discriminating against mothers out of formal permanent employment (World Bank, 2015). More generous rules for the relatively narrow group of formally employed mothers led to an increase in the share of expenditures on maternal leave from 0.3 per cent of GDP in 2002 to 0.7 per cent in 2017 (Stanić & Matković, 2017), which at the time was about four times more than expenditures on the minimum income guarantee.

Furthermore, public sector pay and employment grew significantly, converting, in a matter of only a few years, a public sector wage penalty (as identified by Lokshin & Jovanovic, 2003) into a public sector pay premium (Laušev, 2011; Vladisavljević, 2020). Moreover, some new macro-fiscally minor but symbolically important instruments of bottom-to-top redistribution were instituted, such as a growing number of well-paid sinecure positions on boards of public institutions and firms (Vuković, 2017), very generous untested national pensions for sports medalists and artists, etc.

c) The evolution of inequality after the critical juncture

By now it has become clear that the government's thriftiness when it comes to supporting the poor and vulnerable was not a result of the insufficient capacity of the state to collect public revenues. On the contrary, despite the "withdrawal of the state from untargeted social policy," tax collection and public expenditures kept pace with or grew somewhat faster than GDP growth. Fueled also by the privatisation proceeds, and later by the increases in VAT and excise rates, the share of public revenues and expenditures in GDP have consistently exceeded 40 per cent, which is among the highest globally within the group of middle-income countries.[6]

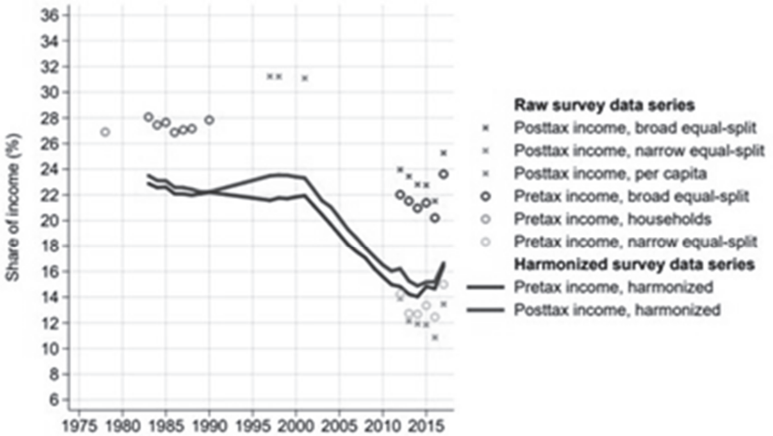
The above discussion illustrates most of the main features of the rather extreme variant of neoliberalism that was in charge of economic and social policymaking during Serbia's transition to a market economy. It was Sidgwickean (see Section 2), having a quintessential "benevolent observer" (a neoliberal policymaker) to judge what is just and good for the society as a whole and for those affected by the reform. It was millennialist, because of its readiness to sacrifice the welfare of large groups of vulnerable people in order to achieve the final goal – in this case, an efficient market economy. It consistently discarded any concerns regarding the Rawlsian concepts of just distribution and equality of opportunity by ignoring

6 It is a remarkable and yet rarely mentioned fact that Serbia, Bosnia and Herzegovina, and Montenegro are the only three middle-income countries (out of a total of 110 countries according to the World Bank classification as of 2021) with the share of public spending (and revenues) above 40 per cent of GDP.

the fact that it was retrospective circumstances of lasting and deep economic crisis beyond their control rather than their own irresponsible choices that put workers in "depressed sectors", as well as other transition losers, in a dire position. Paradoxically, it remained "statist", keeping the oversized government revenues and using them in an increasingly discretionary fashion.

A spectacular synthetic graphic illustration of all these processes was recently offered by Blanchet et al. (2020) in Figure 1 below.

Figure 1. Serbia: Bottom 50% pretax and posttax income share (harmonization of survey data)



Notes. The figure shows how raw survey data sources covering different income concepts and equivalence scales are converted to a single harmonized pretax income and posttax income survey data series, where income is split equally among couples (narrow equal-split).

Source: Blanchet et al. 2020. Appendix: Figure A.3.21.2 Serbia: harmonization of survey data. Bottom 50% pretax income share, p. 431.

Without our going into detail (and potential criticism) regarding the innovative methodology applied in the paper by Blanchet et al. (2020), Figure 1 shows that the steady decline in the share of the bottom half in national income started around the time of the critical juncture in 2001 and continued without interruption for the next 14–15 years, falling from around 23–24 per cent to a nadir of under 15 per cent in 2013 and then recovering somewhat to 16–17 per cent in the following years, which were marked by a fiscal consolidation that temporarily reduced pension and wage inequality. This share is still the lowest in Europe among the 26 countries in the sample of Blanchet et al. (2020), even though Serbia is closer to the European average than to the bottom in terms of the share of public revenues or expenditures in national income.

Furthermore, the lines of pre-tax and post-tax, post-benefit (disposable) income shares are very close to each other, suggesting that the bulk of sizeable gross redistribution facilitated by the government is horizontal, i.e. within groups of people on a similar income, rather than vertical, from upper to lower deciles. This is why the net redistribution (measured as the difference between post-tax and pre-tax shares) is almost non-existent. Again, in this regard Serbia is the least redistributive of 26 countries (see also Žarković-Rakić et al., 2019).

In principle, the downward trend in the income share of the bottom half of the population after 2000 can be analytically decomposed into factors impacting the distribution of market income and those affecting the distribution of disposable income. Market income inequality increased due to the increases in wage inequality (of which the regressive reform of labour taxation was an important part), the decline in employment and increase in unemployment (also impacted by the labour taxation reform), and the wealth redistribution through privatisation, which increased the share of non-labour incomes. Second, disposable income inequality increased due to shifts from quasi-universal to targeted non-contributory benefits (which especially affected the "next 30 per cent", those populating below-median income deciles above the two poorest) and from standard to reversed solidarity in the distribution of pensions among pensioners. Furthermore, with the shift toward indirect taxation, the bottom half also had to pay relatively more in taxes than the richer half.

5. CONCLUDING REMARKS

We have traced the philosophical roots of neoliberal redistributive reform in Serbia in the early 2000s to a reductionist understanding of equal opportunity as an individual's chance to freely participate in the market and to be entitled to his or her "just desert," solely on the basis of this participation. The main objective of the redistributive framework attached to this formal meritocratic condition was not to correct market income distribution, broadly following, for example, Rawlsian egalitarian principles. Instead, the new redistributive framework was based on a version of utilitarianism ready to sacrifice individual well-being for the higher social good – in this case, transition to a merit-based economic system where everyone will get his or her "just desert", which will generate faster growth and eventually make the society richer. This secular millennialist promise of a Golden Age worthy of the sacrifice of the worse-off clearly goes against the spirit of Rawls' principles of distributive justice.

This utilitarian version of secular millennialism is what connects the socialist (pre-2000) and neoliberal (post-2000) welfare states in Serbia, despite obvious differences between them. Socialism's declared goal was to find the fastest route to create a prosperous and just society. Neoliberalism wanted to restore the "natural", market-based order, again to create growth that would eradicate poverty while unleashing creativity and entrepreneurship. Both valued growth over equality. While socialism trimmed inequality at the top at least, neoliberalism increased it throughout the entire income distribution. At first, under both systems, things worked reasonably well in terms of growth, until growth started to slow down and the transformation stalled at a point of slow growth and high inequality.

The neoliberal welfare state has kept some of the discriminatory features of the socialist welfare state, continuing discrimination against small-scale private farmers and some ethnic minorities, while extending it to the lower-income population in general. Instead of strengthening, or at least preserving, the otherwise limited progressive pre-distributive and redistributive features of the socialist welfare state to counterbalance the removal of limits to private ownership, which kept inequality in check during socialism, neoliberal policymakers further weakened these features by introducing inequality-enhancing reforms, practically across the board. Despite the promises, they failed to fuel economic growth and were unable to spread prosperity to the majority of the population. While this failure brought about the neoliberals' own electoral downfall in 2012, neoliberal redistributive policies, somewhat paradoxically, have largely survived. To this day, they remain the backbone of the Serbian tax-benefit system.

Acknowledgements

We would like to express our gratitude to the Open Society Foundation Serbia for their financial support towards this research. Additionally, we extend our thanks to the participants of the workshop held at the Institute for Philosophy and Social

Theory on February 21, 2022, where we presented the paper's outline. We are also grateful to William Bartlett, Branko Milanović, Danilo Vuković, and the two anonymous reviewers for their valuable feedback, comments, and suggestions.

REFERENCES

Adam, J. (1984). Causes of Overemployment and Labour Shortages. *Employment and Wage Policies in Poland, Czechoslovakia and Hungary since 1950*. Palgrave Macmillan, London, 17–40.

Aligica, P. D., & Evans. A. J. (2009). *The Neoliberal Revolution in Eastern Europe. Economic Ideas in the Transition from Communism*. Cheltenham: Edward Elgar.

Appel, H., & Orenstein, M. A. (2016). Why did Neoliberalism Triumph and Endure in the Post-Communist World?. *Comparative Politics, 48*(3), 313–331.

Appel, H., & Orenstein, M. A. (2018). *From Triumph to Crisis: Neoliberal Economic Reform in Post-communist Countries*. Cambridge: Cambridge University Press.

Arandarenko, M. (2004). International advice and labour market institutions in South-East Europe. *Global Social Policy*, *4*(1), 27-53.

Arandarenko, M. (2011). *Tržište rada u Srbiji: trendovi, institucije, politike*. [Labor Market in Serbia: Trends, Institutions, Policies.] Beograd: Centar za izdavačku delatnost Ekonomskog fakulteta u Beogradu.

Arandarenko, M. Avlijaš, S. (2011). Behind the veil of statistics: Bringing to light structural weaknesses in Serbia. *The impact of the crisis on wages in South East Europe. ILO, Budapest*.

Arandarenko, M., Avlijaš, S., Ranđelović, S., Vladisavljević, M., & Žarković-Rakić, J. (2013). Simulating policy reform: distributional and poverty outcomes of the new social welfare law in Serbia. In *Poverty and Exclusion in the Western Balkans* (pp. 261–281). New York: Springer.

Arandarenko, M., & Pavlović, D. (2022). *Reforma redistributivne politike u Srbiji posle 2000. godine*. [Reform of the redistributive policy in Serbia after 2000.] Beograd: Institut za filzoofiju i društvenu teoriju.

Arandarenko, M., & Vukojević, V. (2008). Labor costs and labor taxes in the Western Balkans. In *Enhancing efficiency and equity: challenges and reform opportunities facing health and pension systems in the Western Balkans* (pp. 119–159).

Arneson, R. J. (2007). Does Social Justice Matter? Brian Barry's Applied Political Philosophy. *Ethics*, *117*(3), 391–412.

Arneson, R. J. (2013). Egalitarianism. In E. N. Zalta (ed.). *The Stanford Encyclopedia of Philosophy* (Summer 2013 Edition). https://plato.stanford.edu/archives/sum2013/entries/egalitarianism/ (Accessed Jan 26, 2022)

Arsic, M., Mladenovic, Z., & Petrovic, P. (2001). *Macroeconomic Stabilization in the FRY.* (wiiw Balkan Observatory Working Papers No. 009).

Auerbach, K., & Petrova, B. (2022). Authoritarian or Simply Disillusioned? Explaining Democratic Skepticism in Central and Eastern Europe. *Political Behavior, 44*(4), 1959–1983. https://doi.org/10.1007/s11109-022-09807-0

Barry, B. (2005). *Why Social Justice Matters*. London: Polity Press.

Bartlett, W. (2007). *Europe's Troubled Region: Economic development, institutional reform, and social welfare in the Western Balkans*. Routledge.

Bartlett, W. (2013). The political economy of welfare reform in the Western Balkans. In *Poverty and Exclusion in the Western Balkans* (pp. 245–259). New York: Springer.

Begović, B., Matković, G., Mijatović, B., & Popović, D. (2008). *From Poverty to Prosperity: Free Market Based Solutions*. Beograd: Službeni glasnik and Center for Liberal-Democratic Studies.

Blanchard, O. Dornbusch, R., Krugman, P., Layard, R., & Summers, L. (1991). *Reform in Eastern Europe*. Cambridge, Massachusetts: The MIT Press.

Blanchet, T. Chancel, L., & Gethin, A. (2020). *Why is Europe More Equal than the United States?* (World Inequality Lab. Working Paper No. 2020/19)

Bohle, D., & Greskovits, B. (2012) *Capitalist Diversity on Europe's Periphery.* Ithaca and London: Cornell University Press.

Bugarič, B. (2016). Neoliberalism, Post-Communism, and the Law. *Annual Review of Law and Social Science,12*, 313–329.

Cavanagh, M. (2002). *Against Equality of Opportunity*. Oxford: Clarendon Press.

Collier, P. (2018). *The Future of Capitalism: Facing the New Anxieties*. New York: Harper.

Commander, S., Tolstopiatenko, A., & Yemtsov, R. (1999). Channels of redistribution: Inequality and poverty in the Russian transition. *Economics of Transition*, *7*(2), 411–447.

Deacon, B. & Stubbs, P. (Eds.). (2007). *Social policy and international interventions in South East Europe*. Edward Elgar Publishing.

Drezgić, R. (2008). From family planning to population policy: A paradigm shift in Serbian demography at the end of the 20th century. *Filozofija i društvo, 19*(3), 181–215.

Drezgić, R. (2010). Religion, politics and gender in the context of nation-state formation: the case of Serbia. *Third World Quarterly, 31*(6), 955–970.

Dworkin, R. (2000). *Sovereign Virtue: Equality in Theory and Practice*. Cambridge: Harvard University Press.

Dworkin, R. (2003). Equality, Luck, and Hierarchy. *Philosophy and Public Affairs, 31*(2), 190–198.

EBRD (2016). *Transition for all: Equal opportunities in an unequal world. Transition Report 2016–17.* Brussels: EBRD

Frank, R. H. (2016). *Success and Luck. Good Fortune and the Myth of Meritocracy*. Princeton: Princeton University Press.

Friedman, M. (1962). *Capitalism and Freedom*. Chicago: University of Chicago Press.

Fukuyama, F. (2022). *Liberalism and Its Discontents*. New York: Farrar, Straus and Giroux

Garner, T.I. & Terrell, K. (1998). A Gini decomposition analysis of inequality in the Czech and Slovak Republics during the transition 1. *Economics of Transition, 6*(1), 23–46.

Gligorov, V. (2004). Socialism and the Disintegration of SFR Yugoslavia. In M. Mrak, M. Rojec & C. Silva-Jáuregui (Eds.). *Slovenia: From Yugoslavia to the European Union* (pp. 15-31), Washington, DC: World Bank Publications

Gimpelson, V. (2002). *The Russian labour market: Between transition and turmoil*. Rowman & Littlefield Publishers.

Ghodsee, K. & Orenstein, M. (2021). *Taking Stock of Shock: Social Consequences of the 1989 Revolutions*. Oxford: Oxford University Press.

Harsanyi, J. C. (1975). Can the Maximin Principle Serve as the Basis for Morality? A Critique of John Rawls's Theory. *American Political Science Review, 69*, 594–606. https://www.jstor.org/stable/i306770

Ivanov, D. (2023) The views on distributive justice and economic inequality revisited: the political philosophy and the economic perspectives on (in)equality [version 2; peer review: 2 not approved] *Open Research Europe, 2*(89), https://doi.org/10.12688/openreseurope.14940.2

Krastev, I., & Holmes, S. (2019). *The Light That Failed: Why the West Is Losing the Fight for Democracy*. New York: Penguin Books.

Krastev, I., & Holmes, S. (2020). *The Light That Failed: A Reckoning*. New York: Penguin Books.

Kornai, J. (1990). *The road to a free economy. Shifting from a socialist system: the example of Hungary*. New York: Norton.

Kovtun, D., Cirkel, A. M., Murgasova, Z., Smith, D. & Tambunlertchai, S., (2014). Boosting Job Growth in the Western Balkans. IMF Working Paper 14/16. New York: IMF.

Larmore, C. (2020). *What Is Political Philosophy?* Princeton University Press.

Laušev, J. (2011). *Public-private sector earnings differentials in a transition economy* (Doctoral dissertation, University of Nottingham).

Liebich, A. (2022). *The Politics of a Disillusioned Europe. East Central Europe After the Fall of Communism*. London: Palgrave Macmillan.

Lokshin, M. M. & Jovanovic, B. (2003). Wage differentials and state-private sector employment choice in Yugoslavia. *Economics of Transition, 11*(3), 463–491.

Madžar, Lj. (1990). *Suton socijalističkih privreda*. [The Dusk of the Socialist Economies.] Beograd: Institut ekonomskih nauka.

Mankiw, N. G. (2010). Spreading the Wealth Around: Reflections Inspired by Joe the Plumber. *Eastern Economic Journal, 36*, 285–298.

Matković, G. (2005). Reform of pension and disability system. In B. Begovic, & B. Mijatovic (Eds.). *Four years of transition in Serbia*. Belgrade: Center for Liberal Democratic Studies.

Matković, G., Gavrilović, A., Mijatović, B., Raičević, B., Rašević, M. & Rašević, M. (1999). *Sistem mera politike obnavljanja stanovništva u Srbiji.* [The Public Policy of Population Regeneration in Serbia.] Beograd: Ekonomski institut.

Matković, G., Mijatović, B. & Stanić, K. (2014). Family/children cash benefits in Serbia: The analysis and policy recommendations. *Stanovništvo*, *52*(2), 1–20.

Milanović, B. (1990). *Ekonomska nejednakost u Jugoslaviji.* [Economic Inequality in Yugoslavia.] Beograd: Ekonomika i Institut ekonomskih nauka.

Milanovic, B. (1993*). Cash social transfers, direct taxes and income distribution in late socialism.* (The World Bank Working Papers Series No. 1176).

Milanovic, B. (1998). *Income, inequality, and poverty during the transition from planned to market economy.* Washington, DC: World Bank.

Milosavljević, M. (1987). Yugoslav Social Policy. *Social Policy & Administration, 21*(3), 218–224.

Nozick. R. (1974). *Anarchy, State, and Utopia*. New York, Basic Books.

Orenstein, M. A. (2009). What Happened in East European (Political) Economies?: A Balance Sheet for Neoliberal Reform. *East European Politics and Societies, 23*(4), 479–490.

Ostry, J. D., Loungani, P., & Furceri, D. (2016). Neoliberalism: Oversold? *Finance & Development, 53*(2), 38–41.

Pavlović, D. (2005). *Autonomija ličnosti u Rolsovoj teoriji pravde.* [Autonomy of the Person in Rawls's Theory of Justice.] Beograd: Fabrika knjiga.

Pavlović, D. (2014). Moral Foundations of Contemporary Liberalism. *Annals of the Croatian Political Science Association, 11*(1), 27–41.

Pavlović, D. & Arandarenko M. (2011). Serbia: Equity and Efficiency. Hand in Hand. *SEER: Journal for Labour and Social Affairs in Eastern Europe, 14*(2), 169–184.

Peragine, V. & Biagi, F. (2015). *Equality of Opportunity. Theory and Evidence.* (World Bank Policy Research Paper No.7217).

Peragine, V. & Biagi, F. (2019). *Equality of opportunity: theory, measurement and policy implications.* EUR 29957 EN, Luxembourg: Publications Office of the European Union, , https://doi:10.2760/640390, JRC118542.

Petrova, B. (2021). Redistribution and the Quality of Government: Evidence from Central and Eastern Europe. *British Journal of Political Science*, 51(1), 374-393.

Piketty, T. (2014). *Capital in the 21st Century.* Cambridge: Harvard University Press.

Piketty, T. (2020). *Capital and ideology.* Cambridge: Harvard University Press.

Przeworski, A. (1991). *Democracy and the Markets. Political and Economic Reforms in Eastern Europe and Latin America*. Cambridge: Cambridge University Press.

Rakowski, E. (1991). *Equal Justice*. Oxford: Oxford University Press.

Rašević, M. & Mijatović, B. (2002). Zakon o finansijskoj podršci porodici sa decom. [Bill on Financial Support for Families with Children.] *Stanovništvo*, *40*(1-4), 147–153.

Rawls, J. (1999). *A Theory Of Justice. Revised Edition*. Cambridge, Massachusetts: Harvard University Press.

Reardon, J. (1996). An assessment of the transition to a market economy in the Baltic Republics. *Journal of Economic Issues, 30*(2), 629–638.

Roaf, J., Atoyan, R., Joshi, B., Krogulski, K., & IMF Staff Team. (2014). *25 Years of Transition Post-Communist Europe and the IMF. Regional Economic Issues Special Report*. Washington, DC: IMF.

Sandel, M. (2020). *The Tyranny of Merit. What's Become of the Common Good?* London: Penguin Random House.

Savage, M., (2015). *Social class in the 21st century.* Penguin UK.

Stanić, K., (2010). *Penzijski sistem u Srbiji: dizajn, karakteristike i preporuke*. [The Pension System in Serbia. Design, Features and Recommendations.] Belgrade: USAID SEGA project and CLDS.

Stanić, K., & Matković, G. (2017). Uzroci porasta broja korisnika odsustva povodom rođenja deteta. [Understanding the Increase in the Number of Childbirth-related Leave Beneficiaries in Serbia.] *Stanovništvo, 55*(1): 41–62.

Scanlon, T. M. (1982). Contractualism and Utilitarianism. In A. K. Sen, & B. Williams (Eds.). *Utilitarianism and Beyond*. Cambridge University Press.

Segall, S. (2013). *Equality and Opportunity*. Oxford: Oxford University Press.

Sidgwick, H. (1907). *Methods of Ethics*. 7th ed. London: Macmillan.

Slobodian, Q. (2018). *Globalists: The End of Empire and the Birth of Neoliberalism*. Harvard University Press.

Szelényi, I. & Mihályi, P. (2019). *Varieties of Post-communist Capitalism: A Comparative analysis of Russia, Eastern Europe and China*. Leiden: Brill Academic Publishers.

Ther, P. (2020). The price of unity: the transformation of Germany and Eastern Europe after 1989. In R. Holzmann, D. Ritzberger-Grünwald, & H. Schuberth (Eds.). *30 Years of Transition in Europe* (pp. 16–29), Edward Elgar Publishing.

Vladisavljević, M. (2020). Wage premium in the state sector and state-owned enterprises: Econometric evidence from a transition country in times of austerity. *Economics of transition and institutional change, 28*(2), 345–378.

Vuković, D. (2017). *Preoblikovanje neoliberalizma: socijalna polityka u Srbiji - sociološko-pravna analiza*. [Reshaping neoliberalism: social policy in Serbia – sociological-legal analysis], Novi Sad: Mediterran Publishing.

Wolff, J. (2006). *An Introduction to Political Philosophy*. Oxford: Oxford University Press.

World Bank. (2015). *Serbia Public Finance Review: Toward a Sustainable and Efficient Fiscal Policy*, Washington, DC: World Bank.

World Inequality Database (2020). Retrieved from https://wid.world/data/ on August 26, 2022).

Žarković-Rakić, J., Krstić, G., Oruč, N. & Bartlett, W. (2019). Income inequality in transition economies: A comparative analysis of Croatia, Serbia and Slovenia. *Economic Annals, 64*(223), 39–60.

Žarković-Rakić, J., & Vladisavljević, M. (2021). Tax Reforms and Income Inequality in Former Yugoslav Countries: Escaping the Avant-Garde Neoliberalism in the Income Tax Policy. *Panoeconomicus, 68*(2), 231–252

Received: January 17, 2023
Accepted: June 15, 2023