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**POLITICAL INTERVENTION AS A DE/STABILIZING FACTOR IN KOSOVO'S ECONOMY**

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**Abstract:** In all modern economies, the state has an indisputable, and often primary, economic role. The basic task of the state in relation to the economy of each country is to establish and maintain the functioning of the legal and institutional platform on which economic activity is being conducted. Practice has clearly shown that in certain circumstances, the free market fails to function properly by often introducing economic activity into a negative coil, from which it can not be done without the state intervention to cope with this situation the private sector. The recurring economic crises clearly dictate the need for intervention by the state to overcome the temporary failure in the functioning of the market mechanism. In such cases, the benefit of state intervention in the economy is justified by the capabilities the state owns. However, state intervention is distorted when interfering with politics to realize their aspirations to the detriment of economic activity which results in failure. Since the war, Kosovo's economy has established the principles of a market economy in a formal way, but this is valid and continues only for the middle and lower tier, while for politicians and close people with the politic, it doesn't apply because this category of people affects the doing business, and as a result, every day the market economy is challenged. Through professional literature and research, we will contribute to the conclusions and recommendations that will be needed for the market economy and doing business in harmony with the competition law. The broad definition of economics as science of economic actions is acceptable, while formalization of the definition takes more into account the nature of the problems studied by economists although some reduce them or prefer to emphasize even in reported societies born and built in the process of producing matrix goods. (Bundo, 1998, p. 17). The existence and development of every human society depends first and foremost on securing the products and services needed for individual and collective human life. Under these conditions, it is fully understandable that the economic field has been and remains the most important field of human activity. For these reasons it is perfectly understandable that any other society, regardless of the stages of its development, is obliged to pay special attention to the study and study of the organization and functioning of individual or collective economic activity. Initially, man's knowledge of economic activity came from his empirical observations and only in the last four centuries they have been expressed through the study of different authors as principles and scientific law. Each stream of economic thought, according to the degree of development of society, has had its own views on the specific categories, principles and laws of functioning and economic development. However, in spite of changing the views of the particular currents of economic thought, most authors have highlighted the main economic problems that each society must face in its various stages of its development. These major problems facing any society can be summarized; Firstly, both from empirical observations and from scientific arguments, it has been found that one of the most fundamental contradictions of economic activity is the contradiction between the limited amount of matrix and human sources of society and the unlimited and individual and collective demands and wishes of others .Secondly, from the discovery and formulation of this principle it was concluded that in the conditions of limited maternal and human resources and the unlimited demands of the individuals and society as a whole, every society should choose the priority of complementary needs through use of limited resources. (Pano, Angjeli, 2015, pp. 9,10)

**Keywords:** State intervention, market economy, manifestation in practice.

**1.THE STATE OR THE MARKET – WHERE DOES THE DEVELOPMENT COME FROM?**

This is the question and perhaps the most important dilemma that economists have struggled throughout their history. This is the pendula that has differentiated them from one to another, to "liberal", "classical" and "neoclassical", "keynesian", "neochinese," "Marxist," "regulative," etc. Reaction and response to this question with concrete solutions and policies has led economies and countries to develop and have differentiated results among them. This question is equally fresh and today in the 21st century, as if economic science had been born yesterday.

But in the meantime, the answers given to it, at least three centuries ago, are countless without reaching a single response, either valid or wrong. Politicians, economists, academics, civil society, experts from many fields and disciplines related to the economy, finance and development seem to seek a profound mine to find the right answer, find the miraculous recipe, confirm the dilemma associated with economists and politicians; State or market ?<sup>93</sup>. Before we come into the analysis of the indicators, the problems and trends of the development of the labor market, employment and unemployment, it is necessary to introduce some key concepts of economy and labor market. The synergy between economic development and labor market consolidation can be better understood through the clarification of these concepts and the links between them.<sup>94</sup> Government intervention in the economy is state measures aimed at influencing the pattern, structures and modes of production and distribution of income in one country. Government intervention can be in four main forms, sometimes with not very clear boundaries between them: regulation, defense, privatization, and acting as economic agents.<sup>95</sup> One of the famous cited phrases often says: "The best government is the one that governs less." However, I do not believe that this phrase expresses the role of a good government in the most correct way. Political power must do all that is necessary, everything for which it is created to do so. It must protect its own people against the violence, injustice and deception of the perpetrators and offenders, should protect the country from external enemies. These are the functions of government in a political regime built on freedom in the wake of a system of market economy.<sup>96</sup>

## 2. WHAT MAKES A COUNTRY RICH?

There are many theories as to why some countries can easily overcome poverty, while others get stuck in it. Some focus on the country's climate and its topography, both of which can make it difficult to grow farming crops and develop agriculture; others focused on cultural habits, such as the treatment of property rights, and others focused on success or the failure of political and social institutions.<sup>97</sup> Macroeconomics is part of economic science that studies global economic phenomena, aggregating individual behaviors, nationally or internationally, or a sector of the economy. It seeks to explain the relationship between different macroeconomic indicators, such as gross national income, balance of payments, growth, investments, consumption, unemployment rate, inflation, etc. Macroeconomics has been developed based on the concepts elaborated by John Maynard Keynes (1883-1946) on "The General Employment, Interest and Currency Theory." Relying on a complex and highly elaborated modeling, macroeconomics nowadays is very much used by states, international institutions and private bodies to predict the evolution of various variables in function of economic-political transformations. On the contrary, microeconomics focuses on factors influencing the decisions of economic agents at the individual level (businesses, families). Macroeconomics is the theoretical approach that studies the economy through relationships that exist between large economic aggregates, such as income, investment, consumption, unemployment rate, inflation, as such, it is the main tool for analyzing the economic policies of states or international organizations. Macroeconomics is, above all, a hierarchy of economy, articulated through agents through flows. Considering simultaneously the relationship between the major aggregates of the economy, macroeconomics seeks to explain these reports and predict their evolutions to changes in conditions, such as a choc (for example, oil price rise) or the implementation of a new economic policy. Contrary to microeconomics, which favors the arguments in a partial balance, macroeconomics is always placed in a perspective of overall equilibrium.<sup>98</sup>

## 3. THE ROLE OF STATE IN ECONOMY

In all modern economies, the state has an undisputed, often prime, role in economic activity. The basic task of the state in relation to the economy of each country is to establish and maintain the functioning of the legal and institutional platform on which economic activity is being conducted.

Economists today distinguish several important factors that justify the state's participation in economic activity, such as:

- Non-functioning of the market in a perfect way;
- The need to provide goods and public services;
- State operation as a manufacturing agent of goods and services;

<sup>93</sup> Civici, A. (2013). *Shteti apo Tregu, Cilin model zhvillimi të zgjedhim?* Tiranë: UET PRESS,p 9

<sup>94</sup> Barjaba, K. (2013). *Kurthet e Papunësisë* . Tiranë: UET PRESS. p.13

<sup>95</sup> Skenderi, N. (2010). *Fjalor Ekonomiko-Social*. Prishtinë: Aleanca Kosovare e Bizneseve. p.163

<sup>96</sup> Von Mises, L. ( Shtator 2017). *Politikat Ekonomike*. Tiranë: UET PRESS.p .75

<sup>97</sup> Conway, E. (2015). *50 Ide Ekonomike që duhet t'i dijë çdo njeri*. Tiranë: Plejad. p.179

<sup>98</sup> <https://shtetiweb.org/2014/11/07/makroekonomia/>, n.d.

- Functioning the state as a buyer of goods and services on the market;
- Functioning the state as a market regulator;
- The role of the state in redistributing income;
- Legacy of public institutions.

(<http://shtetiweb.org/2012/12/29/roli-i-shtetit-ne-ekonomi/>, n.d.)

The state economic policy is the set of decisions and actions of public institutions based on certain laws and regulations to achieve the socio-economic objectives of a country and to protect the interests of the society as a whole through the optimum functioning of each economic unit local (private or public).<sup>99</sup>

The economic assessment indicators are:

- Macroeconomic indicators;
- Gross Domestic Product (GDP);
- National income;
- Economic growth;
- Inflation;
- Unemployment;
- Poverty.<sup>100</sup>

Budget policy, along with monetary policy, is one of the main leverage of the country's economic policy. It consists in the use of some budget instruments (public spending, public debt, fiscal revenue) to influence the state of the economy of a country.<sup>101</sup>

Financial policy - represents the entirety of the methods and actions undertaken by a government and its institutions for the determination, collection and rational use of the resources needed to complete its programs over a certain period of time. It is an important part of economic policy and includes in itself: the policy of securing budget revenues, taxes, state debt management and budget expenditures.<sup>102</sup>

The fiscal and monetary policy consists of a set of instruments aimed at changing the state of macroeconomic indicators. Fiscal policy is expressed and is based on the relevant financial laws and consists in government intervention to cope with state spending through the administration of revenue collected through the fiscal system. A typical and quite restrictive problem that governments face in this area is fiscal evasion.<sup>103</sup>

#### 4. THE INTERVENTION OF THE POLITICS AS A CONCERN FOR THE PRIVATE SECTOR

The American Chamber of Commerce in Kosovo expresses its concerns about the weak level of institutional and formal dialogue between the public and private sector, politics interconnection with economic and trade relations, and the frequent intervention of government institutions and officials in the private sector. Regarding the timely attacks on certain companies and sectors by senior government officials, the American Chamber of Commerce considers them as direct intervention in private sector operations, in violation of the Constitution and other relevant state laws, which guarantee a free market economy. The American Chamber of Commerce believes that the state has sufficient legal and institutional mechanisms that address issues of competition, market and consumer protection, whose key role is to protect the public interest and ensure that no company, local or foreign, abuses the dominant position.<sup>104</sup>

#### 5. THE PHENOMENON OF EMPLOYMENT BASED ON POLITICAL PARTIES – LOSS OF FAITH IN INSTITUTIONS

A year of many political appointments has been concluded. Apart from the high positions delegated by political party people, Jeta në Kosovë Newspaper - has reported how close relatives of political party leaders were employed in low positions of civil servants.<sup>105</sup>

Nepotism and party employment as violators of law and human rights - The Institute for Development Policy (INDEP), the GAP Institute and the Balkan Green Foundation call on the country's prosecution, local and international human rights defenders and all those responsible for the protection of the constitutional and legal order

<sup>99</sup> <https://shtetiweb.org/2012/12/28/ceshte-politika-ekonomike/>, n.d.)

<sup>100</sup> <https://shtetiweb.org/2012/12/27/cilet-jane-treguesit-e-vleresimit-te-ekonomise/>, n.d

<sup>101</sup> <https://shtetiweb.org/2012/12/22/ceshte-politika-buxhetore/>, n.d.

<sup>102</sup> (<https://shtetiweb.org/2012/12/21/ceshte-politika-financiare-e-shtetit/>, n.d

<sup>103</sup> <https://shtetiweb.org/2012/12/20/ceshte-politika-fiskale/>, n.d

<sup>104</sup> <https://www.kosovalive360.com/oeak-shqetesim-per-nderhyrjen-e-politikes-ne-sektorin-privat/>, n.d.)

<sup>105</sup> <https://kallxo.com/gjnk/punesimet-partiake-neper-institucione/>, n.d.)

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to undertake immediate measures to prevent illegal and discriminatory employment in public administration. Most importantly, individuals who violated the law on the employment of militants and family members of politicians should be investigated and punished. As never before, Telecom of Kosovo and other companies and institutions are flooding with illegal employment and corrupt management. The favored employment practice is a violation of the Universal Convention on Human Rights, of the Constitution of the Republic of Kosovo, of Law no. 05 / L-021 on Protection against Discrimination, Law no. 03 / L-087 on Publicly Owned Enterprises and Law no. 06 / L-011 on the Prevention of Conflict of Interest. These practices violate the path of European integration and are the overwhelming blow to the hope and aspirations of citizens for a just state and equal opportunities.<sup>106</sup>

Political parties employment, due to the departure of citizens from the country. In Kosovo, senior political leaders continue to be named politically close. This was stated at the conference organized for the second phase of the Recruitment project funded by the British Embassy “Strengthening Good Governance, Transparency and Accountability of Kosovo Institutions” for senior management positions within the civil service and independent institutions. The Head of the Assembly of Kosovo, Kadri Veseli, said that the situation is not good in this regard. “The situation is not very good at appointments, as the trust of citizens is not right. When we do not have the trust of citizens, we have a tendency to leave Kosovo, and we do not need it as Kosovo.” Veseli said that public enterprises should be more involved in this oversight process. Meanwhile, Kosovo Prime Minister Ramush Haradinaj has said that partnership with the British Embassy has helped restore confidence in senior appointments. But we have to acknowledge that we have the concessions and the damages that we must face.

British Ambassador Ruairi O'Connell has said that this year is a step back, in terms of appointments to senior positions. “Last year I said that the project is going to be better than we expected. Unfortunately this year I can not confirm this, we have back steps. We have disturbing reports. The success of this project is a Kosovo’s success, as the failure of this project is Kosovo’s failure as well.”<sup>107</sup>

## 6. PRIVATE SECTOR WITHOUT INSTITUTIONAL SUPPORT

Private business is facing a series of challenges, where this year is finding the private sector without the proper institutional attention and support. Like many other years, there is still no private sector rating in Kosovo. Lack of bids is one of the major problems facing private businesses in the country today. Private business is constantly facing a variety of challenges and a bad business climate. It has not been enough to stimulate them, even though they have never been silent for firing and working for a better business climate in the country, despite the fact that they do not have the proper institutional support in this journey. Kosovo has not scored any improvement in the business climate. In order to improve the situation, to be committed in this direction, making the development of the private sector one of their priorities. “There is still no assessment of the role the private sector has in this country. It should turn its attention to the private sector, so that 2020 does not find us without the proper attention and appreciation by policy-makers, politicians.” While the Ministry of Trade and Industry estimates that this year is finding the private sector in Kosovo in good conditions. Expressed their dedication to improving the business-to-business climate for local producers. On the other hand, it was the American Chamber of Commerce in Kosovo, expressing its concerns about the weak level of institutional and formal dialogue between the public and private sector, linking politics to economic and trade relations, and frequent intervention of institutions and government officials in the private sector. Regarding the timely attacks on certain companies and sectors by senior government officials, the American Chamber of Commerce considers them as direct intervention in private sector operations, in violation of the Constitution and other relevant state laws, which guarantee a free market economy. The American Chamber of Commerce believes that the state has sufficient legal and institutional mechanisms that address issues of competition, market and consumer protection, whose key role is to protect the public interest and ensure that no company, local or foreign, abuses the position dominant. (<http://rtv21.tv/sektori-privat-ende-pa-mbeshtetje-institucionale/>, n.d.) The private sector in Kosovo continues to face various problems, which are affecting the development of activities. While representatives of the business community, Kosovo economic and business experts, say the problems of this sector appear since the opening of a new business.<sup>108</sup>

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<sup>106</sup> <https://indep.info/sq/reagim-nepotizmi-dhe-punesimet-partiake-jane-shkelje-e-ligjit-dhe-te-drejtave-te-njeriut/>, n.d.)

<sup>107</sup> <https://www.koha.net/arberi/151187/veseli-punesimet-partiake-shkak-i-ikjes-se-qytetareve-nga-vendi/>, n.d.

<sup>108</sup> <https://www.evropaelire.org/a/24503368.html>, n.d.)

## CONCLUSIONS AND RECOMMENDATIONS

The economy is certainly one of the most important systems of a society that affects the lives of every individual, from the richest to simple workers, from luxury to the simple lifestyle of the people. Humanity has lived in different economic systems but never has a suitable system for all individuals in a society been built. Today, the effect of globalization is often mentioned, but it is not difficult to see that there are fundamental changes in the economy of each country.

- **What would be the best economic system for the well-being of all members of society in Kosovo?**  
A good system must be strong, sustainable and certainly feasible within the circumstances in Kosovo.
- **What role should the government play in Kosovo's economy?**  
The government must be as liberal as possible and that the economy is self-governed by the free market.
- **Would the economy of free market cover all the government's responsibilities to society?**  
Since Kosovo operates according to the market economy, the private sector, despite the still unfavorable conditions, is carrying out its mission, but as a result of legal and technical conditions, it still does not provide sufficient capacity to contribute to the state budget.

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