



Zbornik apstrakata

**EKONOMSKA TEORIJA
PRED NOVIM IZAZOVIMA:
IZMEĐU ODRŽIVOSTI,
DIGITALIZACIJE I
SOCIJALNE PRAVDE**



Niš, 16-17. oktobar 2025.

**Ekonomski fakultet,
📍 Univerzitet u Nišu**



Book of Abstracts

**ECONOMIC THEORY FACING
NEW CHALLENGES:
BETWEEN SUSTAINABILITY,
DIGITALIZATION AND
SOCIAL JUSTICE**



16-17 October 2025, Niš

**Faculty of Economics,
University of Niš**

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THE KEYNESIANISM – MONETARISM DEBATE OVER ECONOMIC POLICY IN THE PRESENT ERA

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Abstract: *The paper focuses on the relevance of the well-known debate that marked the development of modern macroeconomics, which was conducted between the two leading macroeconomic schools – Keynesianism and monetarism. High inflation rates recorded since 2021 have first renewed interest in monetarism as a macroeconomic school, as well as in its postulates in the field of monetary policy, but also the Keynesian explanation of the nature of business cycles and the reasons for government intervention. Today, after inflation has been mainly under control, the risk of new aggregate supply and demand shocks persists, reinforcing the discussion on monetary policy implementation. Central banks are faced with a choice of whether to loosen monetary policy or to remain at higher interest rates, as recessionary pressures continue due to geopolitical tensions. At the same time, there are also potentially new shocks stemming from new, primarily US tariff policies, which may have not only recessionary but also pro-inflationary consequences, and not only in the US.*

Keywords: *Keynesianism, monetarism, monetary policy, inflation, recession*

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FISCAL MULTIPLIERS – NEW KEYNESIAN VS NEOCLASSICAL PERSPECTIVE AND A POSSIBLE SYNTHESIS

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Abstract: *The concept of fiscal multipliers has been essential in discussions on effectiveness and efficiency of fiscal policy. Although originating from the Keynesian theoretical framework, the applications of the concept in empirical models assume different sets of assumptions which come from the two macroeconomic theoretical traditions: New Keynesian and Neoclassical. Additionally, the Fiscal Theory of Price Level (FTPL) could be seen in this context as a theory which offers possibility for a synthesis between the two dominant macroeconomic schools.*

This paper investigates the theoretical foundations and empirical implications of fiscal multipliers within three macroeconomic paradigms: the New Keynesian, Neoclassical, and Fiscal Theory of the Price Level (FTPL) frameworks. Fiscal multipliers—defined as the ratio of a change in national income to the change in government spending or taxation that causes it—are central to understanding the effectiveness of fiscal policy, particularly during economic downturns or periods of monetary constraint.

The New Keynesian model, characterized by nominal rigidities, imperfect competition, and forward-looking agents, generally predicts larger fiscal multipliers, especially when monetary policy is constrained by the zero lower bound. In this setting, government spending can stimulate demand without crowding out private investment, as real interest rates are unresponsive. The presence of hand-to-mouth consumers, credit constraints, and endogenous labor supply further amplifies the multiplier effect.

In contrast, the Neoclassical model, grounded in intertemporal optimization and flexible prices, typically yields smaller or even negative fiscal multipliers. Here, government spending is often seen as crowding out private consumption and investment due to Ricardian equivalence and the reallocation of resources. Agents anticipate future tax burdens associated with deficit-financed spending, leading to offsetting behavior that neutralizes the impact of fiscal interventions.

The FTPL offers a synthetical alternative. Drawing on Neoclassical micro-foundations such as rational expectations and intertemporal budget constraints, it diverges by assigning the price level determination to fiscal policy rather than monetary control. It can be embedded within New Keynesian frameworks, yet it reverses the conventional causality by assuming a fiscal-dominant regime. This hybrid nature allows FTPL to capture scenarios where fiscal expectations and debt sustainability play a central role in shaping macroeconomic outcomes.

Each theoretical framework aligns with distinct empirical strategies for estimating fiscal multipliers. Neoclassical models typically inform structural VAR approaches that yield small

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or negative multipliers. New Keynesian models support the use of estimated DSGE models, narrative identification, and local projection methods, often revealing state-dependent and larger multipliers. The FTPL motivates the use of regime-switching models and debt valuation channels to capture how expectations and fiscal credibility shape multiplier effects. This mapping underscores how theoretical assumptions shape empirical identification and interpretation.

The paper concludes by comparing the empirical relevance of each framework, drawing on recent evidence from the Global Financial Crisis and the COVID-19 pandemic. It argues for a more integrated approach to fiscal policy analysis—one that accounts for the prevailing macroeconomic regime, institutional context, and the evolving interaction between fiscal and monetary authorities.

Keywords: *fiscal multipliers, New Keynesian economics, Neoclassical economics, Fiscal theory of the price level*

VEBLEN EFFECT IN FASHION INDUSTRY: MULTIDIMENSIONAL ASPECTS OF LUXURY CONSUMPTION

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Abstract: *The Veblen effect represents the exception of the law of demand, where an increase in a product's price results in increased demand, and the other way around, which is contradictory to fundamental principles of the law of demand. This occurrence relates to expensive luxury goods that are being bought to highlight someone's high social status or the wish of an individual to be perceived as such. Fashion brands that sell those kinds of products have a reputation for their unique and exclusive goods, which enables them to set above-average selling prices that are acceptable to specific segment of consumers. The paper defines the Veblen effect, its basic characteristics, and particular features. It describes motivational models of consumption with external effects on utility. By analysing four models of Birkin bags from the brand Hermès, with varying levels of exclusivity and different prices in the primary and secondary markets, the existence of the Veblen effect in the prestigious fashion industry is demonstrated.*

Keywords: *the law of demand, the Veblen effect, luxury fashion brands*

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CHALLENGES OF ECONOMIC SCIENCE IN THE LIGHT OF THE RELATIONSHIP BETWEEN ORTHODOX AND HETERODOX ECONOMICS

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Abstract: *The current state of economics represents a true picture of the dominant trend in science, which is reflected in the growing fragmentation of academic disciplines, while also must be taken into account the rivalry between two fundamental theoretical orientations - orthodox and heterodox economics. The frontal conflict of these two currents of economic thought on a wide range of theoretical questions of the study of economic reality, enriched with ideological, institutional and even political elements, represents a field of knowledge in itself, important for understanding the dynamics of the economic science, as well as the factors that are important for its intradisciplinary structure and the generation of new academic fields. Of particular interest, in this sense, can be studies that deal with researching the supremacy of orthodoxy in circumstances of marginalization and disunity of heterodoxy. In this regard, one of the relevant questions concerns the possibility of opposing the dominance of orthodoxy, in the context of a consistent commitment to the evaluation of different conceptions, but also with a simultaneous avoiding the uncritical multiplication of hypotheses, conceptions and methods according to the principle "in science everything passes and everything is allowed".*

Keywords: *orthodoxy, heterodoxy pluralism, monism*

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INNOVATION AND ECONOMIC GROWTH: THE ROLE OF THE INNOVATION FUND IN SHAPING THE INNOVATION ECOSYSTEM OF MONTENEGRO

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***Abstract:** Innovation and its impact on economic growth have emerged as important research topics in recent years. Innovation has drawn the interest of the government and policymakers due to its positive effects on GDP, competitiveness, and productivity. However, even though it is clear that innovation leads to increased economic growth in the long-run, creating policies that support innovation is a difficult task. Furthermore, innovation policies need to be specifically adapted to country's needs. This paper presents a literature review emphasizing the significance of innovation for the economy, focusing on the innovation ecosystem in Montenegro and the Innovation Fund of Montenegro, whose results demonstrate that effective innovation policies can yield remarkable results.*

***Keywords:** innovation, economic growth, policies*

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THE ROLE OF THE PLATFORM ECONOMY IN MODERN BUSINESS

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Abstract: *The platform economy has emerged as a new form of business that is built on providing a digital space for suppliers, consumers and other stakeholders, with key differences from traditional linear business models. The primary objective of this research is to examine the role of the platform economy within contemporary market structures, with particular emphasis on its potential opportunities and inherent challenges. This study employs a comprehensive literature review as its primary research method, enabling a critical synthesis of existing theoretical and empirical contributions. The research findings aim to contribute to a deeper conceptual understanding of digital platforms as a key role in the emergence and evolution of the platform economy. Furthermore, the study seeks to critically assess the advantages and disadvantages of platform-based business models and operational frameworks, ultimately offering recommendations for enhancing labor standards and ensuring more equitable and sustainable working conditions.*

Keywords: *digital labour platform, e-business, modern economy.*

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AI APPLICATIONS AND COMPARATIVE ADVANTAGE IN EUROPEAN COUNTRIES

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Abstract: *Rapid advances in technology, especially AI applications, have contributed to economic transformation at both the microeconomic and macroeconomic levels. Given its substantial potential, AI adoption can become an important source of a country's comparative advantage. This study examines whether European countries achieved a comparative advantage derived from AI applications during the period 2014–2019. Comparative advantage is assessed using the RSCA index, where positive values indicate its presence. The index is calculated based on the AI patent applications per one million people. The findings reveal that only a limited number of European countries possess a comparative advantage in AI, and that these countries are at varying levels of economic development. This suggests that a nation's level of economic development is not a decisive factor for the emergence of innovative ideas driven by AI adoption.*

Keywords: *artificial intelligence, comparative advantage, RSCA, Europe*

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DIGITALIZACIJA KAO POKRETAČ TRANZICIJE KA CIRKULARNOJ EKONOMIJI: STUDIJA BALKANSKIH ZEMALJA

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Apstrakt: Ovo istraživanje provedeno je s ciljem ispitivanja uloge digitalizacije u tranziciji balkanskih zemalja ka primjeni cirkularne ekonomije (CE). Obuhvaćeno je deset balkanskih zemalja koje se cijelom teritorijom ili dijelom nalaze na *Balkanskom poluostrvu*. Za ispitivanje ovih zemalja korišteno je deset kriterija razvrstanih u tri glavne grupe. Rezultati istraživanja dobiveni su korištenjem metoda višekriterijskog odlučivanja (MCDM), i to metoda Entropy i CORASO (COMpromise Ranking from Alternative SOLUTIONS). Rezultati metode Entropy pokazuju da je, na osnovu varijabiliteta podataka, najvažniji kriterij *emisija ugljen-dioksida po stanovniku*. Rangiranjem ovih zemalja pomoću CORASO metode pokazano je da Hrvatska ima najbolje pokazatelje transformacije ka CE. Ovo istraživanje je pokazalo da zemlje članice Europske unije (EU) imaju bolje pokazatelje u odnosu na one koje nisu članice, *te stoga sve balkanske zemlje trebaju težiti članstvu u EU*.

Ključne riječi: digitalizacija, tranzicija, cirkularna ekonomija, balkanske zemlje.

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PRESERVING SLOVENIAN IN THE DIGITAL AGE

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Abstract: *The digital age presents numerous challenges and opportunities for the preservation of the Slovenian language. This article analyzes the impact of digitalization on the use of Slovenian, focusing on social media, education, and government policies. It highlights the role of digital technologies and linguistic tools in preserving and developing the language and emphasizes the need for high-quality Slovenian digital content. The article also offers recommendations for effectively promoting the use of Slovenian in the digital environment, including the development of language technologies, enhancement of digital literacy, and the formulation of comprehensive national strategies.*

Keywords: *Slovenian language; digital age; language preservation; social media; digital literacy; language policy; anglicisms; linguistic tools*

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TRANSFORMATION OF ELECTRONIC BUSINESS IN DIGITAL ECONOMY

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Abstract: *One of the most significant changes that is happening today is the transition to an information society based on knowledge that intensively uses the Internet and other information and communication technologies in the execution of economic, business and daily life activities. The digital economy, as the main segment of this society, is characterized by the digitization of many products and services, as well as the use of the Internet and other networks in the execution of economic activities. Traditional markets are transforming into digital markets where fierce competition takes place in dynamic conditions, with rapid and major changes. This all led to changes in the way of conducting business, and especially in the way of managing business transactions with the company's trading partners. Electronic business and commerce (e-commerce) implies that every transaction takes place over the Internet and other networks, such as wireless mobile networks. E-commerce, on the other hand, enables the dynamic development of the digital economy. This work shows exactly how the transformation of e-business of companies takes place in the new circumstances dictated by the digital economy.*

Keywords: *Electronic business, digital economy, digital markets, digital products*

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PATTERNS OF CORRUPTION AND DEMOCRATIC CONSOLIDATION IN SERBIA

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Abstract: *This paper examines the patterns of corruption and their role in the consolidation of democracy in Serbia after 2000. We begin by assessing the mechanisms by which corruption undermines the fragile balance between institutions, norms and rules that provide trust and legitimacy of the system, thus affecting democratic backsliding. Using Merkel's model of embedded democracy, the paper explores the mechanisms through which corruption exacerbates democratic backsliding. We then shift our focus towards an examination of the patterns of corruption and democratic backsliding in Serbia. By using data from Transparency International and V-dem database, the paper identifies key forms of corruption and their consequences for democratic processes in Serbia. The findings indicate that corruption is deeply entrenched in state institutions and the political system. Since lack of political will and weak implementation of reforms slow down democratic consolidation, greater transparency, strengthening of independent institutions and active involvement of citizens are necessary for the consolidation of democracy in Serbia.*

Keywords: *corruption patterns, democratic consolidation, Serbia, political corruption, the rule of law.*

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POLITICAL INSTITUTIONS AND ECONOMIC GROWTH IN EUROPEAN POST-TRANSITION COUNTRIES

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Abstract: *This study investigates the influence of political institutions on economic growth in sixteen European post-transition countries over the period 1996–2019, employing three-year averaged data. Political institutions are assessed using a range of democracy and freedom indices, while economic growth is represented by GDP per capita growth. Fixed effects and system GMM estimations indicate that broader political participation, transparent executive selection processes, and stronger constraints on executive authority, captured by the Polity IV index, exert a positive and statistically significant effect on economic growth. Similarly, the Freedom House index demonstrates a positive and significant impact under GMM estimation, underscoring the importance of political rights and civil liberties. Although certain measures of democracy produce insignificant or even negative coefficients, the overall findings suggest that political institutions, particularly those enhancing accountability and participation, constitute a key driver of economic growth in post-transition Europe.*

Keywords: *Political institutions, democracy, economic growth, post-transition countries.*

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STRUKTURNA KONKURENTNOST HRVATSKOG GOSPODARSTVA - IZMEĐU REALNE KONVERGENCIJE I DUGOROČNE ODRŽIVOSTI HRVATSKOG GOSPODARSTVA: OSVRT NA KOMPOZITNE I STRUKTURNE INDIKATORE

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Abstract: Za zemlju koja se uključila u integraciju nužno je ostvarivanje konvergencije prema najrazvijenijim državama za što je potrebno ostvariti dugoročno održive stope ekonomskog rasta i visoku razinu konkurentnosti. Cilj je ovog rada ocijeniti konkurentnost hrvatskoga gospodarstva nakon pristupanja Europskoj uniji, s posebnim naglaskom na razdoblje nakon pandemije COVID-19 kroz analizu kompozitnih indeksa i makroekonomske performanse, cjenovnu i izvoznu konkurentnost. Unatoč učestalim percepcijama javnosti o slabostima hrvatskog gospodarstva, rezultati upućuju na znatan napredak u gospodarskoj aktivnosti, rast životnog standarda i fiskalnu stabilnost, ali uz postojanje strukturnih ograničenja. Gospodarski rast i dalje je pretežito temeljen na rastu zaposlenosti i plaća iznad produktivnosti, uz spor rast produktivnosti rada. Izvozna konkurentnost stagnira, a obilježavaju je nizak udio proizvoda visoke dodane vrijednosti, nedovoljno razvijeni inovacijski kapaciteti i relativno niska složenost izvozne košarice. Cjenovna konkurentnost zasad nije narušena, ali je dugoročno izložena rizicima uslijed ubrzanog rasta plaća iznad produktivnosti rada i inflacijskih pritisaka. Kompozitni pokazatelji konkurentnosti potvrđuju napredak Hrvatske, ali izazovi i dalje preostaju i proizlaze iz niske produktivnosti rada, ograničenih inovacijskih kapaciteta i strukturnih slabosti. Ključno će biti jačanje inovacijskog sustava i institucija, te usmjeravanje gospodarskog modela prema održivim, znanjem utemeljenim izvorima rasta, što predstavlja preduvjet dugoročne konkurentnosti i konvergencije prema razvijenijim članicama Europske unije.

Ključne riječi: održive stope ekonomskog rasta, konkurentnost, strukturna ograničenja, inovacijski kapaciteti.

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INICIJATIVA „POJAS I PUT“: SURADNJA REPUBLIKE HRVATSKE I NARODNE REPUBLIKE KINE

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Abstract: Suradnja hrvatskog i kineskog naroda postoji još od prije 700 godina kada je Marko Polo boravio u Kini kako bi uspostavio i unaprijedio odnose dviju nacija. Suvremeni diplomatski odnosi između Republike Hrvatske (dalje u tekstu Hrvatska) i Narodne Republike Kine (dalje u tekstu Kina) postoje više od 30 godina, odnosno od svibnja 1992. godine kada je Kina priznala neovisnost Hrvatske. Iako su dvije nacije različite s više aspekata, zajedničko im je prijateljsko i pozitivno razmišljanje o drugoj zemlji uz obostrano poštovanje. Mnogo razloga utječe na različitost, a te različitosti su determinante gospodarskih odnosa dviju država. Volumen trgovine od početka uspostave suradnje između dviju država je skroman, iako postoje određeni periodi u kojima se pojačala gospodarska suradnja. Inicijativa „Pojas i put“ (engl. Belt and Road Initiative – BRI) doprinijela je još većem i kvalitetnijem zbližavanju između dviju zemalja, i to ne samo gospodarskom nego kulturnom ali što je još važnije i međuljudskom. Kao nadopuna trima suvremenim inicijativama NR Kine (Inicijativa globalne sigurnosti, Globalna razvojna inicijativa i Globalna civilizacijska inicijativa), Inicijativa „Pojas i put“ služi kao platforma za mogućnost suradnje u budućnosti, temeljena na uspješnoj suradnji u prošlosti. Dopunske mogućnosti Inicijative Pojas i put pronalaze se i u Fondu put svile (engl. Silk Road Fund) te Azijskoj investicijskoj infrastrukturnoj banci (engl. Asian Infrastructure Investment Bank – AIIB).

Ključne riječi: Inicijativa „Pojas i put“, gospodarstvo, suradnja, Hrvatska, Kina

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HRVATSKA U KONTEKSTU NOVE EUROPSKE INDUSTRIJSKE POLITIKE

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Abstract: Nakon desetljeća ideološkog izbjegavanja industrijske politike, ona je ponovno u središtu ekonomske rasprave: pitanje više nije trebamo li ju, već kako ju dizajnirati i implementirati učinkovito. Europska unija posljednjih godina kreira novu industrijsku politiku koja uključuje zelenu i digitalnu tranziciju kako bi odgovorila na recentne geopolitičke, geoeekonomske, tehnološke i klimatske izazove, osigurala otpornost ključnih globalnih lanaca opskrbe te ojačala stratešku autonomiju. Novi strateški dokumenti, poput EU Industrial Strategy i Green Deal Industrial Plan, potvrđuju aktivniju ulogu EU u usmjeravanju ekonomske aktivnosti prema geoekonomske ili geopolitički važnim sektorima. Međutim, sposobnost država članica da se uključe u ove procese značajno varira, ovisno o strukturi nacionalne ekonomije, razini tehnološkog razvoja i fiskalnim kapacitetima. Cilj rada je analizirati gdje se Hrvatska može pozicionirati unutar ovih trendova. Hrvatsku industriju karakterizira relativno nizak udio prerađivačke industrije u BDP-u, osjetljivost na uvoznu ovisnost te slaba integracija u visoko-tehnološke segmente europskih lanaca vrijednosti. S druge strane, postoje potencijalna razvojna uporišta u sektorima poput obnovljivih izvora energije, brodogradnje nove generacije, IT usluga i farmaceutske industrije. Kroz komparativnu analizu ključnih industrijskih politika EU-a i nacionalnih razvojnih strategija, rad nastoji utvrditi potencijalne razvojne niše za hrvatsko gospodarstvo, kao i prepreke koje bi trebalo savladati kako bi se izbjegla marginalizacija u budućoj europskoj industrijskoj dinamici.

Keywords: zelena tranzicija, digitalna tranzicija, EU Industrial Strategy, Green Deal Industrial Plan

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THE NEW INDUSTRIAL POLICIES AND THE OLD GEOPOLITICAL CORRIDORS IN SOUTHEAST EUROPE (SEE) - THE ENERGETICS ASPECT

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Abstract: *The new industrial policy wants decarbonized, competitive, resilient industry (green tech, digitalization, strategic autonomy), while new energy corridors aim to diversify supply, improve security and transit — but the two can clash on fuel choices, timing, financing, governance and local social/environmental impacts. Main challenges are: 1. Fuel and technology mismatch: gas vs green electrification Many corridor projects (pipelines, gas interconnectors like IAP/BRUA and Southern Gas Corridor) increase gas availability — that helps short-term energy security and industrial competitiveness, but risks locking regions into fossil infrastructure that clashes with industrial policy goals to decarbonize and invest in electrification and renewables. This creates stranded-asset risk and mixed incentives for investors. 2. Speed vs sequencing: urgent security vs planned transition. Energy corridors are often driven by immediate security/geopolitical needs (diversify away from single suppliers). Industrial policy calls for carefully sequenced green investments (grids, skills, clean tech). Rapidly built corridors can crowd out investment or political attention from long-term grid upgrades, storage, and renewables needed for clean industry. 3. Financing and subsidy competition*

Both agendas compete for scarce public/donor funds and private capital. The EU and donors push green industrial subsidies and state aid for strategic industries while also funding corridor infrastructure as geopolitical priorities — poor coordination can produce inefficient subsidies or duplication and provoke warnings about uncoordinated state aid. 4. Regulatory and institutional fragmentation across the region The Balkans/SEE have mixed EU membership/status, different regulatory frameworks, and weak cross-border institutions. Coordinating industrial policy (standards, skills, value chains) with cross-border energy projects requires harmonized rules — something that's often missing, slowing projects or creating legal disputes. 5. Social & environmental trade-offs (coal-to-gas vs just transition). Many Western Balkan states still rely heavily on lignite and coal for industry and jobs. Switching to gas via corridors can reduce emissions but delays full renewables deployment and may not secure a “just transition” for coal-dependent communities — yielding social resistance and political backlash. 6. Geopolitics and strategic autonomy tensions. Corridors often involve third-country geopolitics (Russia, Turkey, Caspian suppliers, international finance). Industrial policy seeks “strategic autonomy” but dependence on certain transit routes or suppliers can create political leverage that undermines regional industrial strategy and investment certainty. Practical implications push for integrated planning: corridor approvals should include industrial decarbonization assessments, grid upgrade plans, and just-transition measures.

- *Demand conditional financing: support for fossil pipelines should be conditional on a clear, time-bound shift to hydrogen-ready or biomethane-capable infrastructure and parallel renewables investment.*
- *Insist on regional regulatory harmonization as a pre-condition to corridor operation (market rules, interconnection, procurement transparency).*

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- *Protect local communities: require retraining, reclamation funds, and social safeguards tied to corridor projects.*

*Therefore, three aspects are urgent. 1. Let's require that any corridor financing includes (a) a grid upgrade plan for electrifying industry, (b) a clear phase-out timeline for coal plants, and (c) a social fund for workers. This protects competitiveness and avoids stranded assets."*2. *"Before financing, we should disclose how this project aligns with the region's industrial decarbonization targets and whether there are conditional mechanisms to shift capital towards renewables if gas demand falls? 3. we need a coordinated package: industrial subsidies, cross-border permitting fast-track, and energy corridor standards that ensure compatibility with the 2030/2050 climate objectives.*

- *Several questions we address - "What scenario analysis was done for emissions and industrial electricity demand in 2030–2040?" - "Is the corridor infrastructure hydrogen-ready or convertible to low-carbon gas? - " Which financing instruments are grants vs loans, and what conditionalities are attached? - " How will you protect communities dependent on coal or local ecosystems affected by the route? - " Which regional body will arbitrate cross-border disputes or coordinate operations?*

Concrete recommendations for policy design will be: Make corridor financing subject to climate & industrial transition tests (emissions, stranded-asset risk, renewables deployment). Require interoperability standards (HVDC/AC lines, hydrogen readiness) so corridor assets serve decarbonization goals long term. Create regional Just Transition Fund for retraining and local economic diversification linked to any corridor approvals.

Keywords: *decarbonization, climate, renewables, competitiveness, energy corridors, green investments, resilient industry*

UNDERSTANDING MIGRATION PATTERNS: THE INFLUENCE OF WELFARE REGIMES

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Abstract: *International migration is a critical issue, particularly for Europe, due to its profound socio-economic and political implications. Over the years, migration has attracted significant academic attention, leading to the development of various theories aimed at understanding the factors influencing migration decisions. Many of these theories explore how economic, social, and political conditions shape migration patterns, guide migrants' choices of where to settle, and affect their satisfaction with the destination country. This paper summarizes key theories on migration destinations, highlighting the various factors driving migration outflows. It also examines the relationship between these theories and welfare state regimes, which differ across countries. Welfare regimes, with varying levels of social support and economic opportunities, play an important role in shaping both migration decisions and the satisfaction migrants derive from their destination countries. The paper further illustrates this connection by examining the specific case of Croatia.*

Keywords: *mixed level theories, soft power, economic opportunities, life satisfaction, welfare state regimes.*

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CHANNELS OF HUMAN CAPITAL'S IMPACT ON INCLUSIVE ECONOMIC GROWTH

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Abstract: *In one of its most widely used definitions, inclusive economic growth has been conceptualized as a phenomenon comprised of two components: a change in real GDP per capita and a change in the income distribution (operationalized through income equity index). Human capital, primarily measured by education variables as proxies, has been steadily identified as a major determinant of both of these components. Although the literature acknowledges the importance of human capital, it is still unclear which of these two channels are more responsible for its overall effect on inclusive growth. That is why the aim of our study is to examine the relative contribution of the two channels in the constitution of the human capital's influence on inclusive economic growth. To do so, we consider a sample of 50 European countries during the period 2012-2021. Our preliminary panel regression findings indicate that human capital primarily affect inclusive economic growth through the real GDP per capita growth channel..*

Keywords: *inclusive growth, economic growth, human capital, income inequality, education*

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RETURNS TO EDUCATION AND HUMAN CAPITAL IN CENTRAL AND SOUTHEASTERN EUROPEAN COUNTRIES

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Abstract: *Investment in human capital remains a central factor in shaping the trajectory of economic progress, influencing both the capacity for sustained growth and the ability of economies to adapt to changing market demands. This research analyses twelve countries in Central and Southeastern Europe: Albania, Bosnia and Herzegovina, Serbia, North Macedonia, Bulgaria, Romania, Slovenia, Croatia, Poland, Czech Republic, Hungary, and Slovakia, over the period 1990–2022. An adapted macro-level specification of the Mincer earnings function is utilized to analyze the association between average years of schooling, work experience, and average wage levels. The results indicate substantial cross-national variation in the returns to education, with some economies exhibiting significantly higher returns from additional schooling, while others register comparatively modest gains. Observed cross-country differences appear to be closely linked to the quality and effectiveness of both formal and non-formal education systems, the extent to which acquired skills correspond to labour market requirements, and the overall stock of human capital.*

Keywords: *Human capital, Returns to education, Mincer model, Central and Southeastern Europe, Labor market performance.*

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EXPLORING THE RELATIONSHIP BETWEEN INCOME INEQUALITY AND LIFE EXPECTANCY: EVIDENCE FROM PANEL DATA ON CENTRAL AND SOUTH-EASTERN EUROPEAN COUNTRIES

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Abstract: *Central and South-Eastern Europe is a region marked by profound socio-economic transformations over the past decades, with significant variations in both income distribution and population health outcomes. This study investigates the relationship between income inequality and life expectancy across Central and South-Eastern European countries. Life expectancy at birth is used as a key indicator of population health, while income inequality is measured using the Gini coefficient. The empirical analysis employs fixed-effects and random-effects panel regression models to assess the effect of income inequality on longevity, controlling for key socio-economic variables. It aims to determine whether higher inequality is associated with worse health outcomes in the region, thus offering a unique setting to examine the dynamics of inequality and health. The findings are expected to offer evidence-based insights for policymakers, highlighting the extent to which reducing income inequality can improve population health, strengthen human capital, and support sustainable socio-economic development.*

Keywords: *Central and South Eastern Europe, human capital, income inequality, life expectancy, panel data*

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RECENT DEVELOPMENTS IN THE GREEN ECONOMY- THE CONCEPT OF GREEN SKILLS MISMATCH

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Dijana Jovanoska⁵¹

Abstract: *The greening of the economy is continuously changing the skills required and the tasks involved in many of the existing occupations. The result of the rapidly increasing pace of adoption of green technologies, is a new composition of skills required for the newly created jobs. In this context, many studies point out to potential bottlenecks and labour market frictions that may arise, particularly in the 'green' sectors. Besides the general skills mismatch, a particular green skills imbalances are already observed in many economic activities and are expected to remain relevant issues to be tackled by the policy makers. The green skills mismatch is a complex phenomenon and challenging to measure since many dimensions of mismatches can be considered. We particularly pay attention to the following types of green skills mismatches: underskilling, overskilling, skills deficit, skills shortage and skills obsolescence. Besides this taxonomy, two additional dichotomies are investigated in details: (i) vertical vs. horizontal and (ii) sector-specific vs. cross-sectoral green skills mismatches. In this context, the theoretical analyses are supported by the empirical evidence from North Macedonia. The results are used to formulate appropriate policy responses for coping with green skills mismatches. One group of measures is concentrated on improving human capital regarding the green skills and competences in companies, while other strand of recommendations considers overcoming the green skills mismatches by various forms of cooperation.*

Keywords: *Green economy, green transition, skills mismatch*

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GREENING AND GETTING PRODUCTIVE? DYNAMIC PANEL EVIDENCE FROM EUROPEAN ECONOMIES

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Abstract: *This paper examines the relationship between the green transition and labor productivity in European economies. Using dynamic panel data, it examines the impact of carbon dioxide (CO₂) intensity reduction, renewable energy adoption and green innovation on productivity performance. Previous research suggests that environmental policies can stimulate innovation and efficiency, potentially leading to higher productivity, although the effects vary across countries. By applying GMM estimators to account for persistence and endogeneity, this study tests whether decarbonization and green policies are compatible with growth objectives. Data sources include databases from the Eurostat, the United Nations and the World Bank. The results are intended to show that green innovation and the introduction of renewable energies have a positive impact on productivity. The results should contribute to the debate on whether environmental sustainability and productivity growth can be achieved simultaneously. The study contributes to literature by providing a nuanced understanding of how the transition to green technologies affects labor productivity.*

Keywords: *Green transition, Labor productivity, CO₂ emissions, Dynamic panel data*

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ENVIRONMENTAL FOOTPRINT IN THE ERA OF TECHNOLOGICAL PROGRESS: ANALYSIS OF FACTORS OF SUSTAINABLE DEVELOPMENT OF THE WESTERN BALKANS

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Abstract: *Environmental protection is a key component of the sustainable development of the countries of the Western Balkans. This implies efficient management of energy and natural resources, with reliance on technological innovations that contribute to the improvement of development dynamics. The aim of this empirical analysis is to examine the impact of key socioeconomic and environmental factors, including information and communication technologies (ICT), carbon dioxide emissions (CO₂), degree of urbanization (URB), consumption of renewable energy sources (REN) and economic growth (GDP), on environmental degradation, through an analysis of the ecological footprint in the countries of the Western Balkans in the period 2001-2022. Within the research, Spearman's correlation coefficient was used to assess the direction and strength of the relationship between the variables, as well as simple linear regression in order to examine the individual impact of each factor on the ecological footprint. The results show that CO₂ emissions and economic growth have a positive and statistically significant relationship with the ecological footprint, which indicates their role in the deterioration of the environment. In contrast, ICT and the consumption of renewable energy sources are associated with a reduction in the ecological footprint, while the impact of urbanization is both positive and negative. Obtained research results can serve as a guideline for the formulation of more effective sustainable development policies in the countries of the Western Balkans region, with an emphasis on the improvement of digital infrastructure and the transition to renewable energy sources.*

Keywords: *sustainable development, information and communication technologies, CO₂ emissions, urbanization, renewable energy sources, economic growth, Western Balkans*

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ENCOURAGING THE POPULATION TO USE BICYCLES

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Abstract: *Against the backdrop of increasing climate challenges, the need to reduce CO₂ emissions and promote a healthy lifestyle, the bicycle stands out as an environmentally friendly, accessible and health-promoting means of transport. The development of inclusive transport solutions and high-quality cycling infrastructure is an important step towards creating a more sustainable, healthy and equitable urban environment.*

The aim of this paper is to explore the possibilities of encouraging the general population to use the bicycle in an inclusive way, with a focus on reducing CO₂ emissions, promoting more physical activity, improving air quality, developing digital tools (interactive maps) and improving urban planning of cycle paths. The use of the bicycle as a sustainable means of transport contributes to the creation of a healthier and more environmentally friendly urban environment and at the same time has a positive impact on the physical and mental health of citizens.

The methodology of the work is based on primary research conducted through a survey of cyclists in two Croatian counties. The data obtained was analysed with the aim of identifying the main motivators and barriers to bicycle use and the needs of different social groups.

The research results indicate the importance of integrating quality bicycle infrastructure, accessibility of information through digital tools and implementing educational and promotional activities in order to increase the acceptance of bicycles as an everyday means of transport.

The conclusions of the paper can serve as a basis for the development of inclusive policies and strategic measures aimed at creating more sustainable and healthier cities.

Keywords: *sustainable transport, CO₂ emissions, physical activity, urban planning, digital tools, inclusivity, cycling*

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HETEROGENEOUS MONETARY GOVERNANCE AND PORTFOLIO VOLATILITY IN A FRAGMENTED EU FRAMEWORK

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Abstract: *In the crisis environment defined by the dominance of unorthodox monetary interventions, quantitative easing (QE) policy has emerged as a key instrument of macroeconomic stabilization and driver of global capital mobility. The research investigates the effects of QE and real interest rates (RIR) on portfolio investment outflows, differentiating the sample between EZ members and monetary autonomous EU countries. Applying a heterogeneous panel ARDL framework (Pooled Mean Group specification), portfolio outflows are estimated in dependence on QE dynamics and RIR during the 2014Q1-2023Q1 period. The results indicate that capital outflows tend to increase in the long-run when asset purchases rise and yields decline while short-run dependence is heterogeneous across members. The existence of an error-correction mechanism (ECT) toward long-run equilibrium is confirmed in EZ group. Conversely, the absence of an ECT in monetary sovereign countries suggests a destabilizing and negative dynamic of capital outflows. These findings highlight the vulnerability of monetary autonomous countries to external monetary shocks due to the limitations of their stabilization mechanisms for capital outflows.*

Keywords: *quantitative easing; portfolio outflows; interest rates; heterogeneous panels; PMG.*

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IS NORTH MACEDONIA'S CURRENT ACCOUNT STATIONARY? EVIDENCE AND IMPLICATIONS

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Abstract: *At the quarterly level, North Macedonia's current account has alternated between deficits and surpluses for many years. However, deficits have occurred more frequently than surpluses.*

The aim of this paper is to investigate whether the current account of North Macedonia is sustainable, that is, whether the country can meet its obligations to foreign creditors in the long run. In other words, the paper seeks to determine whether the country is internationally solvent.

The research methodology involved applying several stationarity tests, including the ADF test, KPSS test, ADF–GLS test, and HEGY test. All tests indicated non-stationarity of the current account, i.e. the presence of a unit root in the time series. This implies that the country is internationally insolvent.

This conclusion has significant implications for economic policymakers in the Republic of North Macedonia.

Keywords: *the current account, stationarity, unit root test, international solvency;*

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