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Author/s:

Mattioli Fabio,

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**RUNNING HEADS:**

VERSO: FABIO MATTIOLI

RECTO: FINANCIALIZATION WITHOUT LIQUIDITY[

**Financialization without liquidity: in-kind payments, forced credit, and authoritarianism at the periphery of Europe**

FABIO MATTIOLI

*University of Melbourne*

After 2008, the spectacular collapse of financial markets in the United States, Spain, Iceland, Portugal, and Greece has induced researchers to conceptualize financialization as a rapid and unsustainable increase in liquidity. In Macedonia, a small country at the periphery of the European Union, however, the spread of financial instruments and debt coincided with an increased use of in-kind payments instead of money. Focusing on a type of non-monetary exchanges that Macedonians call *kompenzacija*, the article shows how in-kind payments are integrated to financial flows, and are crucial to the emergence of an authoritarian regime. In the Macedonian context, *kompenzacija* is part of an oppressive set of relations whereby companies are forced to provide monetary credit to the regime by accepting payment in goods that lose value over time. The article describes the conditions that shape financialization at the periphery of Europe, and identifies in value conversions a crucial variable for understanding the interconnection between politics and finance.

Social scientists understood the global financial crisis that started in 2007 as a crisis of liquidity. In the decade prior to the crash, Western economies experienced various forms of financialization, whereby financial products dissociated from production processes fuelled housing and credit bubbles. When the US real estate market imploded, a sudden stop to lending brought down the fragile architecture of global finance. In countries located at the centre of international finance, such as the United States or France, central states could rescue banks and cut public expenses. Semi-peripheral economies such as Iceland, Ireland, Greece, Portugal, and Spain, however, whose

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financial system relied on global speculation, ground to a halt, and their bustling urban landscapes dissolved into a series of abandoned construction sites.

A symphony of construction trucks, sledgehammers, and moving cranes evoke a different financialization in Skopje, Macedonia. A small landlocked country in the heart of the Balkans, Macedonia successfully boosted its exposure to international finance during the crisis, without apparent downfalls. From 2006 until 2015, when international credit was at an all-time low, the conservative Prime Minister Nikola Gruevski increased Macedonia's debt threefold and kept an early repayment schedule; he consolidated his political power when other European leaders were struggling to appease their constituencies; and he earned praise from international agencies that described Macedonia's economy as sound and 'excessively liquid' (IMF 2014: 10).

Businessmen I interviewed in 2013, however, presented a different picture of Macedonia's peculiar financialization. During my fourteen-month-long ethnographic study on the social consequences of the crisis, I encountered dozens of entrepreneurs who experienced daily problems in getting paid. Hairdressers told me of customers who paid with office supplies; professionals in wholesale trade received rolls of toilet paper in payment; subcontractors in the construction industry were compensated with apartments, or often not paid at all. According to business owners, workers, and friends, there was no money in Macedonian society, only a type of in-kind payments they called *kompenczacija*.

Found across economic domains, *kompenczacija* covers an elastic continuum of interactions which extend from horizontal and win-win barter exchanges, especially common in the past, to in-kind payments that weave violence into the post-crisis social fabric. While *kompenczacija* is sometimes used among friends and close colleagues to support each other in difficult moments, respondents reported that it harbours increasingly oppressive dynamics. In the words of one of my interlocutors, post-crisis *kompenczacija* is increasingly comparable to being forced to accept a vanload of eggs in lieu of an old monetary credit, only to have them all broken on the drive back.

Why is Macedonia seeing a proliferation of both global finance and *kompenczacija*? What political and economic forces convert global credit into pernicious in-kind exchanges? Instead of approaching in-kind exchanges as a moral means to supplement long production times and price fluctuations in sectors such as construction, this article analyses *kompenczacija* in relation to other means of payment. The evidence I present suggests that the Internal Macedonian Revolutionary Organization – Democratic Party for Macedonian National Unity (VMRO-DPMNE) exploited Macedonia's position at the periphery of Europe in the aftermath of the global financial crisis to attract international finance and syphon value from society. The Macedonian case presents a specific path towards financialization in peripheral settings which is not only characterized by leveraged households, overvalued currency, and lack of credit to businesses (Becker, Jager, Leubolt & Weissenbacher 2010), but also becomes enmeshed with authoritarian power structures.

*Kompenzacija*, far from being a benign, informal way of getting by, appears increasingly as a type of forced credit whereby companies and individuals with ties to the VMRO-DPMNE pressured others into accepting goods that they did not want and that would, in the foreseeable future, force them to lose monetary value.

]p1[Contributing to the literature that discusses how politics shapes financial expansion (Bruff 2014; Konings 2016; Lapavitsas 2009; Rethel 2010), this article makes four interconnected claims. First, my analysis of *kompenzacija* specifies that conversions of value between monetary and non-monetary means of payments are sites where the ruling classes can extract value from peripheral economies (Ashman, Fine & Newmann 2011). Second, if encroaching upon social relations is a defining feature of financialization (Langley 2008; Rodrigues, Santos & Teles 2016), the case of post-crisis Macedonia shows that non-monetary means of payment like *kompenzacija* can extend the reach of financial value chains even in the absence of monetary market devices such as bonds, stocks, derivatives, or securities. Third, the article shows that, during periods of economic uncertainty, financialization provides peripheral ruling classes with significant opportunities to sediment exploitative forms of political authority. Fourth, the article provides a picture of the Macedonian path towards financialization and suggests that financialization takes multiple forms at the periphery (see Becker *et al.* 2010).

]p1[After introducing the scholarship on in-kind exchanges and financial payments, the article succinctly presents the specificity of Macedonia's financialization in relation to other countries located at the EU periphery. The third and fourth sections explain how *kompenzacija* facilitated production during socialism and distributed capital accumulation early on in the transition to postsocialism. The article then describes the exploitative nature of contemporary *kompenzacija* and the configuration of post-crisis financial illiquidity that enabled the rise of the VMRO-DPMNE regime. In the conclusion, I suggest that Macedonia constitutes a particularly authoritarian path towards peripheral financialization, where political centralization has replaced fragmented polities typical of the postsocialist period.

### **]ha[Barter, payments, and politics**

]p[The anthropological archive is rich with examples of complex exchange regimes where different methods of payment coexisted (Maurer 2006; Parry & Bloch 1989; Peebles 2010). Societies as diverse as the Trobriand Islands and the Tiv of Nigeria considered objects used to pay for market transactions insufficient to confer prestige (Bohannan & Bohannan 1968; Malinowski 1978 [1922]). Among the Trobrianders, prestige was bestowed by *kula*, the exchange of bracelets and necklaces made of cowries and beads, while everyday items of consumption were bartered.

]p1[Central to defining how value circulated in different social spheres, barter has been described as a class of in-kind exchanges practised by equal and free partners whose interests are incommensurable (Humphrey 1985). Barter allows people who evaluate goods from different social,

ethnic, or cultural frameworks to match their wants through competitive, rational, and self-interested calculations. While it fulfils market needs, barter allows the conversion of use values whose exchangeability is less guaranteed as compared to impersonal currencies (Björklund Larsen 2013; Cellarius 2000; Humphrey 1985; Pedersen 2007; Ssorin-Chaikov 2000).

[p1] Anthropological studies of barter noted that money, cowries, or any other transactables are defined by their social relations rather than their material form. This means that not all in-kind exchanges correspond to barter, and that goods used in barter can be found in different types of exchanges. Malinowski's cowries, the goods that bestowed prestige, were sometimes acquired through barter – their capacity to transmit prestige originated only after they had been in the possession of famous chiefs. According to Guyer (2004), while the Tiv society clearly distinguished among three spheres of exchange (one for everyday goods and consumables, one for prestige, and one for rights over women), goods that functioned as currency in one sphere could also move across others, generating hierarchies and political power. Some in-kind exchanges that cross the spheres of market and prestige, and translate value across domains, escape the egalitarian and moral aspects of barter. *Kompenzacija* is increasingly one of these transactions whose meaning depends upon forms of oppression and exploitation instead of wants and desires. Rather than barter, *kompenzacija* more closely resembles other forms of in-kind exchange such as tributes, where goods accompany political domination instead of equality (Brumfiel 1997).

[p1] As a form of delayed payment, *kompenzacija* shares some of the characteristics of debt and credit relations, which have been extensively analysed by anthropologists interested in mechanisms of inequality and value conversions. Mollona (2009) and Bletzer (2004) showed that payments in drugs and/or other overpriced goods are often used to force wage labourers to accumulate debt, rather than wages, and make them dependent on exploitative employers. Others have suggested that, as neoliberalism makes labour redundant and undermines public welfare, it is 'empowering' debt (Elyachar 2005) that allows marginalized populations to transform (or not) their imagined entrepreneurial natures into a tool for survival, at the price of increased existential precariousness and economic dispossession (Bear 2015; Han 2012; Williams 2005).

[p1] As 'one of the possible schemas used for the distribution of what economists would term goods and services' (Sneath 2012: 491), financialized debt has been described as a process of social death which eliminates the communal relations of human economies (Gudeman 2008). According to Graeber (2011), debt needs violence precisely because life is not constituted outside of sociality. Abstracting communities from their ancestral land, or subjecting a country to the economic rationality of a balanced budget, inevitably requires devastation, as witnessed through centuries of colonialism and conquest. Yet debts don't require abstraction to generate oppression; as Stout (2016) argues, indebtedness can generate both reciprocity and systemic inequality. Being forced to accept unwanted eggs or apartments is tangible, personal, and often ambiguous – a pernicious bond

that, as Jasarevic (2014) has suggested in the case of Bosnia, can make embedded debt even more insidious.

Is *kompenczacija* a form of re-personalized forced credit, a self-exploitative survival mechanism adopted in the aftermath of financial shocks, comparable to that described in postsocialist literature on the Eastern Bloc? In Russia in the 1990s, barter occurred in parallel with the fragmentation of political power, as exerted by various suzerains (Humphrey 2000; Seabright 2000; Woodruff 2000). Complex networks of in-kind exchanges emerged as local alternatives to ensure the survival of people amidst political chaos (Dunn 2008; Korhonen & Mehrotra 2014; Sutela 1999; Verdery 1996). Connections or bribes allowed individuals to develop interstitial spaces (Brković 2015) where moral arrangements substituted for the collapsed planned economy and nascent neoliberal institutions (Dunn 2004; Ledeneva 1998; Rivkin-Fish 2005; Rogers 2005; Torsello 2010). More recently, authors have described in-kind solidarities as a survival tactic in Greece and Argentina, in contexts where the power of the state has been curbed by austerity measures (Rakopoulos 2014) and barter has functioned as an effective way to shield local societies from international markets (D'Avella 2014; Muir 2015).

*Kompenczacija*, however, inhabits an institutional and financial space that is not comparable to the disarray experienced by Russia in 1998, or Greece in 2010, and one that cannot be captured by focusing on the morality of exchange. The VMRO-DPMNE government avoided major economic shocks, maintained access to international capital markets, and averted bank crises. Rather than withering away, the crisis allowed the Macedonian state to expand its security apparatus and its control over the population. Gruevski's influence was also not significantly affected by repeated scandals, which did not hamper his capacity to win the 2016 elections. Just like global barter, which has not disappeared after the crisis (Keys & Malnight 2012), *kompenczacija* constitutes a factor in the strengthening of state and financial structures, rather than their remnant.

The article follows a new inclination in economic anthropology, concerned with value conversions across systems of payments (Maurer 2015), which describes how financial transactions cross complex domains of values, methods of payments, and even stages of partial liquidity or illiquidity (Pitluck 2011). There are significant theoretical and practical reasons for proposing an ethnographic analysis of *kompenczacija* as a financial mechanism in peripheral settings. Anthropologists who study the increasing importance of finance in contemporary capitalism realize that the financialization of debt is imbued with transformative power(s) (Roitman 2004). The expansion of financial markets, products, and services has reshaped subjectivities and socialities for the poor (Guerin 2014; James 2012; Palomera 2014), as well as for those who reap the benefits of shareholder values (Ho 2009; Holmes 2009; Maurer 2005; Zaloom 2006). If financial debts have transformed social values, could the reverse be possible? Could specific articulations of political structures, credit relations, and value(s) produce different historical and geographical varieties of financialization?

## Peripheral financialization and the Macedonian path

Inspired by world-system theorists such as Arrighi and Piselli (1987), the article understands peripheral economies (and their financialization) as framed by structural underdevelopment and reliance on foreign capital. The periphery, however, is not a stable entity – especially in Europe. In the aftermath of the global financial crisis, various authors (notably Gambarotto & Solari 2015; see also Vliegenthart 2010) observed that peripheralization dynamics common in post-transition Eastern Europe are increasingly common in countries like Portugal, Italy, Ireland, Greece, and Spain (PIIGS). Despite this convergence, the PIIGS maintain an economic and political edge over their Eastern European neighbours (Belojevikj & Mattioli 2017). For this reason, when I discuss the European periphery, I limit my analysis to Eastern European countries that belonged to the former Socialist Bloc. Rather than a single model of peripheral financialization, however, I prefer to think about specific trajectories and paths towards financialization able to reconstitute the diversity of experiences at the periphery (see also Becker *et al.* 2010; Bohle 2017; Lapavistas 2013).

Different types of capital determine alternative financialization paths. Becker *et al.* (2010) argue that financial capital flows at the periphery in two main forms: foreign direct investments (FDI) and interest-bearing financial capital (i.e. bank loans). Bohle (2017) shows that countries that built on their industrial capacity during the early phase of the transition, such as the Visegrád Four (the Czech Republic, Hungary, Poland, and Slovakia), attracted considerable European FDI. On the contrary, economies that underwent sweeping neoliberal reforms, such as the Baltic countries, lost their socialist, industrial assets and became appealing for interest-bearing capital. None of these two models, however, applies straightforwardly to ex-Yugoslav countries.

The political and economic instability that followed the break-up of Yugoslavia delayed the inflow of both FDI and interest-bearing capital in Yugoslav successor states. Over time, the EU accession process generated opportunities for foreign investments, which in Croatia and Slovenia prompted the banking system to embrace a form of mass financialization akin to the Baltic path. Macedonia, Serbia, Bosnia and Herzegovina, Kosovo, and Montenegro, however, presented shady post-war oligarchies, small markets, and stagnant industries – a combination that limited the penetration of foreign capital to the banking sector and a few privatizations of monopolistic industries (Becker *et al.* 2010). By 2008, mass financialization and FDI had begun to pick up the pace even in southern ex-Yugoslav countries, often thanks to a heavy mediation by the state (Mooslechner 2012). Household debt went from 4 per cent in Macedonia and 2 per cent in Serbia in 2003 to 18 per cent and 20 per cent, respectively, of GDP in 2010. In Croatia, household debt increased from 23 per cent to 42 per cent over the same period. Only 2 per cent of Macedonian households and 4 per cent of Serbian households possessed mortgages as against 7 per cent of Croatian households and 17 per cent of Hungarian ones (World Bank 2013).

In post-crisis Macedonia, an incipient and limited financialization generated unexpected political opportunities. As credit slowed down globally, Macedonian banks, subsidiaries of European credit institutions, cut lending to businesses. The Macedonian government, however, who had spearheaded the process of financialization, could rely on international interlocutors to leverage the country's low debt and geostrategic importance to control the domestic money and credit supply. Substituting the violence generated by globally fast or abstract financial flows (Carruthers & Stinchcombe 1999) with forms of domestic forced credit, the Macedonian path supports Karwowski and Stockhammer's (2016) intuition that peripheral financialization is not only a residual economic landscape produced by profit-seeking switches in capital flow (Aalbers 2008). In Macedonia, and perhaps other southern ex-Yugoslav countries, peripheral financialization has become a crucial feature of an illiberal statecraft project (see also Bruff 2014; Konings 2016).

### **The history of *kompenczacija***

*Kompenczacija* was well known during socialist times. Accounts I have collected show that both institutions and private companies often paid with goods instead of dinars, the socialist Yugoslav currency. Yet the context for and the function of *kompenczacija* seem to have been radically different from those observed today.

The limited data available on socialist *kompenczacija* suggest that in-kind exchanges in Yugoslavia differed from those observed in other socialist countries. The USSR, Romania, and the DDR (Humphrey 2002; Kornai 1992; Verdery 1996) followed a rigid model of economic planning. This was not the case in Yugoslavia, where central planning existed until 1952 but was modified with the progressive introduction of market mechanisms in 1964, which were then extended in the mid-1970s. Companies operated in a limited 'market environment' and were organized around the principle of self-management, whereby a collective of workers directed each enterprise – although not independently from the Communist Party (Bartlett 1997). As shortages were not as dire and fluctuations in production were not as extreme as in USSR-linked countries, Yugoslavia's companies had less need to hoard, exchange, and pay in goods (Estrin 1991; Palairat 1997; Ribnikar 1989; Vučković 1963).

While state control of the economy was not as oppressive, it was still extensive. Payments between enterprises, for instance, took place mostly through the Public Accountancy Office (SOK), which co-ordinated the cashless transfer of money from one company to another (Ott 1988). My interlocutors would go to the SOK with receipts that signalled the amount of money they needed to receive from a third company. The Office itself would then transfer funds to the petitioner. Things did not always work smoothly: often companies did not have funds available, and only personal connections would alert my interlocutors as to when was a propitious time for collecting dues.

This was an inconvenience rather than a problem, and lack of money rarely forced companies to close or go bankrupt. As the ultimate value was production, not profit, the state facilitated the redistribution of surplus and debt, especially if the financial stability of a company and its subcontractors was at risk. Money worked as a unit of accounting that ‘followed after production’, in Woodruff's (2000) brilliant definition, rather than as a goal of production in itself. *Kompenzacija* followed a similar path. Often used to bypass the problems of monetary scarcity and keep production going, it constituted a perfect tool for liquidity in the socialist political economy. By the 1980s, when Yugoslavia faced crushing debt and inflation, the SOK organized multilateral *kompenzacijas* between unknown companies in order to write off unpaid arrears.

There is another reason why *kompenzacija* was not very dramatic during socialism. It was not uncommon for people who worked in Yugoslavia to have relatively good salaries and yet to have little money left the very day they received their paycheque. Companies often granted their employees credit for many transactions, or supplemented workers’ wages with non-monetary benefits, including housing, child daycare, and vacation facilities (Bonfiglioli 2014; Furubotn & Pejovich 1972.; Woodward 2003). While inequalities, especially in the field of housing, were widespread (Archer 2016), workers often had the ability to reclaim their rights, and to profit from their labour not through wages, but by exploiting the right connections within socially owned enterprises. In a context where banks were often internal to companies, value did not depend on money alone, but was dependent on one’s professional belonging. Notwithstanding shop-floor conceptions of money and value (Music 2016), within this system money functioned as a unit to account for the production process, rather than for profit (Bryer 2016; Horvat & Korošec 2015).

### **ha[Kompenzacija and transition**

The transition from socialism generated a peculiar kind of illiquidity: if, on the one hand, the dismantling of the productive system caused a surge in unemployment, on the other, the privatization process allowed many to strip former state-owned assets for cash. Faced with heightened expectations of consumption, yet in a fragmented market, Macedonia saw a resurgence of *kompenzacija* as a form of exchange through which an emerging class of petty urban entrepreneurs could conduct transactions and accumulate capital. Consider the following account:

[ex/It was simple. My dad knew that he could very easily sell toilet seats here in Macedonia. But he did not have the money to buy them. So what he did was to go to Serbia, where he found a company that sold toilet seats. This company was interested in getting door handles – so he went around until he found another company who would sell him door handles on credit. He got the handles, went to the first company, exchanged the handles for the seats, brought them back to Macedonia, sold them, paid back the handles company ... and so he became the King of *Kompenzacija*.]/ex[

]p[According to his son's recollection, the King of *Kompenzacija* was able to conduct an in-kind private transaction precisely because of the dismantling of the socialist Federal Republic of Yugoslavia. In this case, two companies were interested in goods of different kinds but could not rely on the socialist infrastructure to exchange them. Instead, the very borders generated by the collapse of Yugoslavia into six different republics created different domains of value relatively distinct from one another. Entrepreneurs like the King of *Kompenzacija* were then able to match desired goods in different national markets and extract profit from them. This was particularly important in Macedonia, a country with an underdeveloped consumer industry that had previously provided heavy industry output for other socialist republics. Because Macedonia had maintained a neutral position during the Balkan Wars and had historically strong connections to Serbia, *kompenzacija* flourished alongside other kinds of informal trade and smuggling that connected Skopje to Nish and Belgrade.

]p1[The collapse of the socialist system was crucial to this new set of *kompenzacija* exchanges in another respect: postsocialist societies had abundant 'gray', illicit, and sometimes illegal capital. Partly as a consequence of the stripping of previously state or socially owned enterprises, and partly because of savings from the Yugoslav era, the Macedonian population faced dire economic conditions but was able to mobilize cash on demand. The number of banks declaring bankruptcy, the unpredictable and sudden blockages to loans or withdrawal, and the vicissitudes linked to converting socialist dinars into Macedonian denars convinced many citizens to literally sleep on stacks of cash, often after having converted MKD into more stable foreign currencies such as the Deutschmark. *Kompenzacija* thus re-emerged not as a tool for supplementing socialist production and allowing exchange in debt circles closed by the state, but as a profitable business: paying in kind became a way to get to money. With the collapse of the socialist system and without socialist companies to finance one's consumption or small investments, money assumed a different role. It became the measure and storage of labour's value, the preferred type of capital, and a means of exchange. Money, in the postsocialist political economy, radically shifted its role, accounting for profit rather than production.

]p1[During the early years of the transition, *kompenzacija* ensured economic survival in the same way that barter did in other parts of Eastern Europe by matching desires and transferring values at a time of political fragmentation (Humphrey & Hugh-Jones 1992). The credit extended through in-kind exchanges generated horizontal bounds that allowed small companies to survive through hard times, similar to what Monova (2015) describes for tobacco growers in post-recession central Macedonia. *Kompenzacija* equivalences also relied on 'differences' – not between different spheres of value and evaluation but between different markets, different supplies and demands, or different monetary prices across newly established national boundaries. *Kompenzacija* made possible the social rise of small entrepreneurs who had no monetary or economic capital but were able and willing to engage in chains of non-monetary transactions that eventually let them join the ranks of petty capital owners. *Kompenzacija* during the transition supplemented liquidity, allowing

for the accumulation of capital and cementing the rise of a dispersed class of petty postsocialist merchants who benefited from previous governments' tolerance of informality.

### **]ha[Late 2000s: *kompenczacija* and loss of value**

]p[In the late 2000s, *kompenczacija* had already assumed a very different form. From a win-win, horizontal, and sometimes mutually beneficial interaction, it became a tool to force Macedonia's businesses and individuals to provide credit to the ruling party. Interlocutors who entered *kompenczacija* because of older reciprocities or sheer desperation found themselves losing the value of their labour if they were not directly part of the VMRO-DPMNE.

]p1[I met Marko<sup>1</sup> the first day I arrived on the construction site. He was just hanging around outside of the elevated container where the supervisor's office was located. I would see him often in the following days coming and going: either called in to solve some problems with Toni, the supervisor, or simply stopping by as a courtesy, his roaring voice filling the air. Most strikingly, he seemed to have a joke ready for everybody; all the other managers or directors of subcontracting firms spent time laughing and telling stories with him. Just below the elevated container, Bobi had a different opinion of Marko. 'I worked for him about six months', he told me while anxiously smoking a cigarette,

]ex/[and he never paid me. He promised me 500 euros per month, but he was never on time. 'I do not have the money', he kept telling me. 'Here is an advance of 100 euros' – and it has been three months and I haven't received anything. I am not insured, nor do I claim taxes and social insurance. What am I supposed to do?]/ex[

]p1[It was *kompenczacija* that had thwarted Marko's financial stability and strained his relationship with Bobi. His company had been contracted to install hardwood floors by Construx, a medium-sized construction company. They had already performed half of the work when Construx offered to pay with apartments. While Marko had a contract for a monetary amount he would not disclose, he agreed to Construx's terms. He felt he ought to support Construx, a company that had been very loyal to him in the past and that he considered one of the most serious in Macedonia. But this form of solidarity also had darker roots: Marko knew very well that if he did not comply with Construx, he would have risked being cut out of the circle of preferred subcontractors. In a small country like Macedonia, beset by raging unemployment, falling outside of such a circle can be the equivalent of business exile. Unsure about how else he could recover at least some of the money, Marko decided that *kompenczacija* was his best option.

]p1[Contemporary *kompenczacija* was not an alien practice to businessmen like Marko. My interlocutors had been part of *kompenczacija* arrangements in the early postsocialist period. They had also seen or heard about small, often marginalized companies that survived by using *kompenczacija* among trusted networks of friends. Enmeshed in friendships and other neighbourhood or kinship ties, Marko and other businessmen I met were part of a business world

where business was conducted in informal ways, and meetings were held at restaurants. As they seamlessly switched between roasted meat, discussions of apartments, and strong brandy, *kompenczacija* emerged as an obvious and natural arrangement. Accountants agreed: *kompenczacija* was also easy to enact. All that was needed was to balance the contractor's debt with a transfer of ownership of an asset, generally an apartment, to the creditor.

]p1[It was generally at this stage of the transaction that my interlocutors started to change their mind and described *kompenczacija* as a form of dispossession. While payment would have been the end of a monetary transaction, with *kompenczacija*, it was only the beginning of a series of other conversions that often failed to materialize. First, subcontractors had to wait for the company to finish building the apartments. Then they had to receive legal ownership, a complex and lengthy process, especially if the building had been used as collateral for a loan. But more importantly, subcontractors like Marko had to deal with the falling prices of housing.

]p1[Between 2010 and 2013, Macedonia's construction sector went against the overall European tendency. While countries like Ireland, Spain, or Greece, where financialization had fuelled urban development and middle-class debts, saw a significant and sudden decrease of construction activities, Macedonia's construction sector picked up significant steam. If one excludes civil engineering works, a sector that doubled in 2013 and tripled in 2015 the volume of work conducted in 2010, the situation looks astonishing. Macedonia's housing sector today has a productivity of about 180 per cent of what it was in 2010. Most EU countries followed the opposite trajectory. Ireland's index in 2007 was at 486 and today is at 115; Spain was at 180 in 2006 and today is at 93.

]p1[Macedonia's intense construction activity, however, does not guarantee profits. Data from the statistical office suggest that the profitability of the sector radically decreased from a net profit margin of 12.3 per cent in 2013 to 5.4 per cent in 2014. The sector's debt ratio has increased from 50 per cent to 54 per cent. Early analyses (e.g. Karajkov 2013) stress that the construction sector is increasingly indebted; sales of apartments have become increasingly rare, pressing companies like Construx to rely continually on promotional discounts. The average price of apartments has decreased steadily. Despite the effort from the government to subsidize housing mortgages for young couples, buyers seem to be unable to afford the nominal price of around 1,200 euros per square metre in a decently located, averagely constructed building.

]p1[Receiving an apartment as *kompenczacija* thus becomes a liability. It not only forces the subcontractor to spend increasing time and energy to place it, but its value is liable to decrease over time. Instead of being an exchange of goods considered of equal or equivalent value, today *kompenczacija* is an exchange between one good (labour) whose value was supposedly constant and another (apartments) whose value is destined to shrink in the foreseeable future. In *kompenczacija* exchanges, one of the partners, in this case Marko, does not want the good in question yet is forced to accept it as he does not see any other way to get paid.

]p1[At worst, Marko and most of the contractors I met throughout my research could rely on a disheartening solution: they could offset the burden of *kompenczacija* onto their workers. That meant firing workers – often hired without regular contracts anyway – or retaining them with a vague promise of future pay, while providing them just enough money to keep them coming to work and surviving. If, for company directors, *kompenczacija* meant exposing their businesses to the precariousness of a falling bubble market, workers experienced *kompenczacija* as an even greater mechanism of precariousness – one through which they entirely lost control over the monetary value of their labour.

]p1[Krste and Bosko, both workers at Construx, were just some of the many other employees in the construction sector who directly experienced the effects of *kompenczacija*. For Bosko, *kompenczacija* was about a car:

]ex/[I worked for an architectural firm that got a contract with an important politician. One day the manager of the company calls me: 'Come out', he says. I go, and I see him with three black medium-sized cars. 'Choose one', he tells me, 'it is yours'. Instead of my fee, they turned up with those cars! Eventually I had to close down my own private activity because of *kompenczacija*!]/ex[

]p[Had Bosko not accepted *kompenczacija*, he would have had no way to retrieve the money he was promised. Courts are simply unhelpful without the right political connections, and because his client was an important man, he was perfectly positioned to manipulate the legal system. Not only did Bosko stand no chance of fighting through institutions, he was also facing a more direct and practical threat: the VMRO-DPMNE. Generally referred to as *the party*, the VMRO-DPMNE held Macedonian public life in a steel grip and was known to use all sorts of violent means to protect its members. Unable to mobilize political support, Bosko was eventually stuck with non-movable property that he did not need and did not want, and which led him to the brink of personal bankruptcy.

]p1[Sometimes, the loss of value embedded in *kompenczacija* happens through more explicit forms of violence. Krste is one of the most caring construction workers I met. At 1.60 metres tall, he is known throughout the construction site for taking care of a hamster as if it were his own child. But after a year of begging his previous employer to pay him his six months of overdue salary, he had had enough. He went to the company's office and sat in the sales room. 'Every quarter you make today selling things, I will take it', he announced. And if you do not sell anything, I will take stuff from your store until the debt is repaid'. His face turned red while he remembered, and his body movements became increasingly nervous as he continued:

]ex/[And then I started provoking my former employer. I insulted him, and his family. And so he punched me in the chest. But then – BAM – I hit him straight in the face and he fell to the ground. The brother tried to stop me, and so he was able to flee. But I went after him, made

him fall in the street and then BAM BAM, I kept on kicking him until he was covered with blood!]/ex[

]p[Eventually Krste got some money back – by transforming a labour relation into violence, he was able to avoid the threat of *kompenzacija* and actually convert blood into money.

]p1[There is greater violence embedded in *kompenzacija* than physical assaults or the psychological and existential insecurity reported above. With temperatures as extreme as -15 and +45 Celsius, workers operate in ten- to twelve-hour-long shifts in which they are required to complete physically demanding tasks with very rudimentary technological assistance. Despite the dangerous and unsafe conditions in which they work, health insurance comes only with a regular monetary wage – if a company does not fulfil its tax obligations, the state cuts all of the workers' benefits, including insurance and pension payments. *Kompenzacija* thus transfers the burdens of social security and safety away from the employers and onto the workers' shoulders. Workers paid in *kompenzacija* or employed by a company embroiled in it have no access to public health care, a service that they sorely need because of the high-risk nature of their labour.

### **]ha[Liquidity and credit: the global crisis and Macedonia**

]p[If most of my interlocutors did not want the goods they received as *kompenzacija*, why did they accept them? This section explores the political and economic forces that frame *kompenzacija*, focusing on the VMRO-DPMNE and its ability to co-opt *kompenzacija* to convert internationally contracted debt into domestic credit and political power in the wake of the global financial crisis.

]p1[Between 2006 and 2016, Macedonia was ruled by the VMRO-DPMNE and its leader, Nikola Gruevski. Promising to fight corruption, bring Macedonia out of its economic stagnation, and restore the dignity it had lost through years of gruesome political and economic isolation (Belojevikj & Mattioli 2017), Gruevski gained the support of a large part of the population in rural and deindustrialized areas. He began his term in office as a pro-market conservative reformer. In the aftermath of the global crisis, however, Gruevski started to explicitly foster a climate of fear and silence. Crucial for his regime was Sasho Mijalkov, the Prime Minister's cousin. As head of the Administration for Security and Counterintelligence (UBK), Mijalkov increased the budget of the security apparatus nearly tenfold. Records released in the spring of 2015 show that the UBK illegally surveilled 20,000 people, including foreign businessmen, diplomats, journalists, and members of the opposition (Ceka 2015). On tape, the government can be heard discussing how to increase control over media outlets and the judiciary; members of the VMRO-DPMNE inner core plot political beatings, speculative schemes, and the flattening of hostile businessmen's properties. Unsurprisingly, in 2013 and 2014, I saw close friends look over their shoulders and lower the tone of their voices when talking about the government in public.

]p1[Beside fear, the Gruevski regime promised prosperity and economic benefits to citizens and oligarchs. Members of the VMRO-DPMNE were massively hired in publicly controlled

companies, and young couples received subsidized mortgages through the *kupi kuka kupi stan* programme. Oligarchs benefited from public investments in urban renewal projects or public housing – chosen by the government as the main vehicle to stimulate the economy and foster a nationalist agenda (G. Janev 2011; Vangeli 2011). In a volatile real estate environment, construction obfuscated how the regime funnelled international money to oligarchs. The ‘artistic’ value of sculptures, neo-baroque façades, and other buildings could easily be manipulated, allowing oligarchs and managers to embezzle significant sums. Unsurprisingly, 70 per cent of the cost of the Skopje 2014 urban renewal project, 452 million euros, was divided between five companies, Beton, Granit, Strabag AG, Beton Shtip, and Bauer BG (BIRN 2016), thus securing and expanding the VMRO-DPMNE support among oligarchs.

]p1[Beton and Granit, companies that still employ several thousand workers (and voters), had lost competitiveness on the European market, and would have been in a dire condition without the Skopje 2014 project. For Beton, owned by the magnate Minco Jordanov, the project represented almost the entirety of the group’s profits. For Granit, the main contractor in other public projects such as the construction of new highway sections, Skopje 2014 represented 30 per cent of the group’s profits. Beton Shtip, on the other hand, demonstrated a more direct attempt by the Gruevski family to secure a dominant position in Macedonia’s economy. Thanks to the money provided by Skopje 2014, Orce Kamcev, Beton Shtip’s majority owner, expanded his business empire and became the richest person in Macedonia – completing hostile mergers and acquisitions under the protection of his godfather and business associate Sasho Mijalkov, head of the UBK (Independent.mk 2016; Meta.mk 2015; Scoop 2016).

]p1[How could the VMRO-DPMNE regime afford such profligacy? Gruevski did not inherit a country with abundant natural resources, or one rich with value-added industries. Special economic zones attracted some foreign investors thanks to low income tax (10 per cent), simplified legal procedures, and inexpensive labour. Even before 2008, however, these new revenues were too modest to support a significant increase in expenditures. Paradoxically, it was the global financial crisis that offered Gruevski an opportunity to access resources, in the form of international credit. In a climate in which the entire global economy seemed on the verge of collapse, the IMF and other European institutions supported Macedonia, a small country with a decent track record of political stability that had diligently privatized sectors such as mining, banking, and telecommunications, and had followed austerity measures to repay international debts under the previous governments. In 2010, Gruevski negotiated a Precautionary Credit Line with the IMF worth 480 million euros. Then his government started a series of road-shows which aimed at attracting foreign investors and buyers for the issuing of Eurobonds, which allowed the country to raise additional funds on the capital market. Meanwhile, European aid and projects kept flowing in, despite the increasing lack of transparency of the VMRO-DPMNE procurement system. By 2015, the government embarked on routine talks with major investors such as Citibank and Deutsche Bank to place treasury bills on international markets, which were eager to invest in higher-return financial opportunities in a global

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climate of low interest rates. Under Gruevski, public debt more than tripled in absolute terms from 1.3 billion euros (20 per cent of GDP) in 2008 to 4.36 billion euros (47.9 per cent of GDP) in 2015 (IMF 2016; A. Janev 2015).

The rise of the VMRO-DPMNE regime meant the increasing relevance of finance for Macedonian citizens, precisely because international debt did not generate widespread liquidity. Average Macedonians did not see an increase in salaries, stagnant at around 350 euros per month; inflation remained relatively low; and savings continued to be negative, with a low of 15.4 per cent in 2007 (National Bank of the Republic of Macedonia 2015). In fact, with the notable exception of construction, pensions, and hiring in public administration, the Gruevski government did not invest much in social welfare and froze up funds allocated in the budget. Newly hired, public employees told me that the most important asset of their position was the option to convert secure employment into a credential for private consumer loans or mortgages. Individual loans were even more important for those who, before being awarded a permanent contract in public hospitals, were asked to volunteer without pay for extended periods. While still relatively low in comparison with Croatia or even Serbia, household debt increased almost fourfold under the Gruevski government. In 2003, household debt amounted to 0.2 billion international dollars (I\$). By 2015 it had reached an all-time high of I\$2.5 billion – a more than twelvefold increase in twelve years.

Mounting debt generated significant cashflow problems for the Macedonian regime. In 2008, Gruevski relied on constant 'receipt of foreign currency from external borrowings' (IMF 2009: 24), and especially Eurobonds and the allocation of Special Drawing Rights (Jovanovikj & Andonova 2017: 5), to maintain the Macedonian denar peg to the euro, despite the country's worsening trade balance. To maintain its creditworthiness, Macedonia had to earmark the money obtained through international finance for debt servicing, rather than spend it on capital projects. This led to significant government arrears, both in VAT refunds, which the IMF estimated at 2 per cent of GDP in 2014 (IMF 2015: 15), and as payments for public contracts. Construction giants controlled by businessmen close to the government, like Beton and Granit, experienced significant delays in government payments. Smaller companies like Construx were waiting for years to be paid, or to receive their VAT refunds. In 2012, the problem escalated to involve international contractors, with diplomatic tensions surfacing in the IMF's yearly report, where government arrears were estimated at 5.6 billion MKD, that is, 1.2 per cent of GDP (IMF 2013: 4; 2016: 14).

Despite the VMRO-DPMNE government's inability to honour its domestic commitments, repay international lenders, and save the Macedonian denar peg to the euro, the changing attitude of Macedonian banks rendered it the most coveted source of financing. Since its independence, the Macedonian banking sector had been characterized by high interest rates and conservative lending practices, even in comparison to other regional economies. In 1992, accounts in hard currencies such as dollars or Deutschmarks were confiscated by the Macedonian government, which some years later issued bonds to compensate account holders (Sherif, Borish & Gross 2003).

This aggravated the precarious liquidity of the country. In 1994, bad loans amounted to 80 per cent of the portfolio for Stopanska Banka, the largest bank in Macedonia, which was then owned by the state (Zoli 2001: 33). In 2000, 26 per cent of total loans were overdue (Sherif *et al.* 2003). Around the turn of the century, several small banks defaulted, including Eksport-Import Banka, Rado Banka, and Almako Banka.

In the early 2000s, when European, in particular Greek, financial institutions took over Macedonia's banking system, credit conditions eased rapidly. Between 2005 and 2008, credit grew an average of 40 per cent each year (IMF 2015). With the financial crisis, however, bank credit was increasingly inaccessible for most companies. Macedonian banks had financed 80 per cent of their activities, including credit growth, from domestic deposits (IMF 2015: 18) and had not suffered from bad investments in junk derivatives. Fearing that the global financial crisis could nevertheless deepen the structural weaknesses of the Macedonian economy, banks decreased lending to new or non-established businesses and tried to retain customers that they considered safe. Companies that had a good reputation or enjoyed ties with the government could repackage existing impaired loans as new loans – a move that circumvented reserve requirements for banks and stabilized non-performing loans (NPLs) at an unrealistic 10 per cent of the total loans (Cloutier 2016: 3). In addition, banks shifted their credit products towards households and began purchasing public debt, increasing their portfolio from 3 per cent in 2011 to 10 per cent in 2015 (IMF 2016: 44). Between 2011 and 2014, Macedonian NPLs declined from about 8 per cent to about 6 per cent. During the same period, however, corporate NPLs increased from 10 per cent to about 17 per cent (World Bank 2015: 5).

Monetary policies that pegged local currencies to the euro had encouraged liberal lending in the early 2000s. Despite being funded by domestic deposits, most private debt in Macedonia was issued in or linked to foreign currencies, notably euros. Once currency spreads widened and exchange rates became volatile, Macedonian banks became more conservative. In addition, the decision of the Macedonian Central Bank to raise interest rates in 2008 (IMF 2008: 8) saved the denar's peg to the euro at the cost of a slump in credits to Macedonian enterprises. In 2013, the IMF (2015: 26) estimates that credit to enterprises was virtually static, while collateral requests soared to around 300 per cent of the loan value.

In the Macedonian case, contractors without access to bank credit were forced to accept very burdensome financial constraints to intercept public investments, which often included forced credit, delayed payments, and forced donations of installations, sewerage, and, surprisingly, churches, as witnessed in the municipality of Aerodrom, where construction companies have 'donated' eight churches since 2006 (Pisarev 2014). Oligarchs who endured the government's conditions were in turn allowed to exploit subcontractors, by imposing *kompencacija* and other dubious deals, without legal consequences. In one of the many examples I came across, the supervisor of a project that formed part of the Skopje 2014 plan explained how hard it was for a subcontracting company to do business with an investor close to the government.

]ex/[The deal is for 100,000 euros, and it is 70 per cent *kompenczacija*. Some of the apartments that the subcontractor will receive are already built close to *Vodno* [the mountain that overlooks the city], the rest are still to be built. But here is the catch: the elevators are from Germany, and the factory there would not take *kompenczacija*. The subcontractor has to take out a loan using the *kompenczacija* apartments as collateral, and then has to use this cash to start paying for the elevators, waiting and hoping that the rest of the money will come in time to pay back the loan.]/ex[

]p1[Because of the possibility, or illusion, of receiving at least some cash, companies were willing to take on significant risks. Businessmen I worked with quickly dismissed the idea that the *kompenczacija* they were experiencing was akin to older win-win forms of barter exchange. Instead, they suggested that the ‘mafia-state’ (Otten 2013) was strangling them through these extractive deals. Rather than being an ‘informal’ way to get by and create some of the interstitial structures observed in Serbia (Mikus 2015) or in Bosnia (Brković 2015), *kompenczacija* forced contractors or subcontractors to provide credit to companies closer to the government, who could save their monetary resources for other investments. As in the elevator deal, the subcontractor took the financial risk by leveraging the apartments he received as *kompenczacija*. The contractor, an oligarch close to the VMRO-DPMNE, unloaded his portfolio of hard-to-place apartments, whose sale time increased from 193 days in 2013 to 234 days in 2014, and kept most of his money as proverbial bait for other desperate subcontractors. In this context, the proliferation of *kompenczacija* was one of the reasons why the top 1 per cent of earners increased their share of wealth from 6.8 per cent in 2007 to over 12 per cent in 2014, the highest in Europe (Jovanovic 2015; National Bank of the Republic of Macedonia 2015). Even building companies opposed to the VMRO-DPMNE, like Construx, participate in such reciprocal value suppressions. They do this not in order to hide revenues from the state, as in the 1998 Russian Crisis (Gurieff, Makarov & Maurel 2002), but as a consequence of state-promoted investments without payments. As a company that has the potential to access cash through private sales, and which is privileged by banks’ conservative lending practices, Construx imposes *kompenczacija* on other subcontractors. ‘We offer them *kompenczacija*’, one of the managers of Construx told me. ‘If they do not accept ... well, do you think they have a choice?’

## ]ha[Conclusion: *kompenczacija*, illiquidity, and the world crisis

]p[When I asked the son of the King of *Kompenczacija* what his plans were for the future, he sipped his imported beer and looked out of the window for a moment. Then he answered:

]ex/[I tried to work with my dad. But it is impossible. He does not realize that he’s just losing money. We now have three apartments that we do not know how to use, and we can’t sell. And look, you see my black Golf car parked outside? That was also *kompenczacija*. He got it because he knew the guy would never pay him back. I tried to stop him from doing more *kompenczacija*; he did not realize that all his work, all his capital spread around, all his energy

spent not sleeping at night and spinning around have a cost. You work more, and you barely break even.]/ex[

]p[These words sum up the potential for dispossession embedded in in-kind exchanges like *kompenzacija*. In this article, I have argued that the penetration of finance in a particularly poor country at the European periphery, such as Macedonia, coexists with and generates illiquidity, as foreign-owned banks are prone to de-leverage or restrict credit to local businesses when economic uncertainty arises. Non-monetary means of exchange, therefore, are crucially integrated with international financial markets, and rely on a heavy involvement of the state to mediate flows of value between local and global markets. This context offers opportunities to aspiring authoritarian leaders, who can more easily utilize their privileged access to international finance to control the supply of global means of exchange, and force domestic social actors such as businesses into pernicious credit relations that extract value from their labour. Unlike the result of other in-kind exchanges, such as barter, cars and apartments obtained through *kompenzacija* are emblematic not of social status, but rather of monetary loss, forced labour, and political control.

]p1[In the case of Macedonia, a periphery within the periphery, economic practices like *kompenzacija*, which dangled the mirage of money and the fear of violence in the face of a cash-strapped, repressed entrepreneur class, were crucial in forcing common people to willingly support or passively surrender to illiberal practices. Other peripheral Eastern European countries, however, show a different connection between finance and politics. In the Visegrád Four, and specifically Hungary, financialization, in the form of FDI, strengthened a domestic and industrial bourgeoisie, which is increasingly being configured as an alternative to European interest-bearing capital (Bohle 2017). On the contrary, in the Baltic states, a strong comprador class (Poulantzas 1974) has pushed through an austerity agenda, all the while preventing the emergence of authoritarian leaders. While more research needs to be done to understand how closely other southern ex-Yugoslav countries align with the Macedonian's trajectory, this article has highlighted the political importance of financial mechanisms and their capacity to manifest themselves through non-monetary means of exchange.

]p1[Unlike other cases observed by the literature on barter (D'Avella 2014; Humphrey 2000), the global financial crisis did not cause a collapse of the Macedonian state, nor did it decouple the Macedonian economy from global finance. On the contrary, the VMRO-DPMNE literally banked upon illiquidity to include as many Macedonians as possible under its political patronage. Exploiting what used to be a benign social practice fundamental for navigating socialism and early postsocialism, the VMRO-DPMNE regime and its affiliates employed coercive power to reconfigure the state as a gigantic pyramid scheme. For those who got stuck with it, *kompenzacija* represented a last resort to profit from their labour, rather than a vehicle for investments or savings, as in other postsocialist credit bubbles (Musaraj 2012; Verdery 1996). By taking over the monetary supply and pushing through *kompenzacija* deals, the VMRO-DPMNE government centralized and limited the amount of

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international debt accumulated by industries and households, in effect pre-empting a total collapse of the economy. The price for this was, however, double: the burden of economic credit was shifted from banks onto the shoulders of Macedonian businesses, households, and individuals, whose well-being came to be entangled with that of the VMRO-DPMNE.

The analysis of *kompencacija* has far-reaching implications for our understanding of postsocialist societies. What we see in Macedonia in the twenty-first century is not a proliferation of in-kind exchanges as survival tactics between petty competitive traders that dominated the USSR's landscape in the 1990s (Humphrey 1985; 2000). Here I have shown that such an existential and political condition rests upon the implicit legacy of socialist benign in-kind exchanges. Contemporary *kompencacija*, however, is increasingly different from both its socialist and early postsocialist incarnations. Today, the exploitative nature of *kompencacija* stems from a process of centralization of power, rather than its dissipation, as in the 1990s. The specifically Macedonian path towards financialization suggests that at least one of the elements that defined the postsocialist condition, that is, the fragmentation of power, does not play the same role today as in the 1990s. This new political and economic condition calls for a new theoretical description – one that might help us to explain what postsocialism was, and what comes next.

#### NOTES

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]INSERT SPACE FOR FRENCH ABSTRACT[

]bio[Fabio Mattioli is a Lecturer in Social Anthropology at the University of Melbourne. His research focuses on the connection between labour, finance, and politics in Southeastern Europe.

]add[School of Social and Political Sciences, W401 John Medley Building, University of Melbourne, 3010 Australia. [fabio.mattioli@unimelb.edu.au](mailto:fabio.mattioli@unimelb.edu.au)