HISTORICAL CONTEXT OF THE NORTH MACEDONIAN ECONOMY:

STRUCTURE, INSTITUTIONS AND ECONOMIC PHILOSOPHY FROM THE OTTOMAN EMPIRE AND YUGOSLAVIA

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INTRODUCTION

North Macedonia's economic history is deeply influenced by its past under the Ottoman Empire and the Socialist Federal Republic of Yugoslavia. These periods shaped the country's institutional framework, infrastructure, and economic organization, leaving a lasting impact on its contemporary economic structure. This introduction explores the economic legacies of these historical periods, highlighting their enduring influence on North Macedonia's development.

Besides, North Macedonia's economic development has been deeply shaped by two major historical frameworks. These can be briefly stated; The Ottoman imperial system and the socialist economic planning of Yugoslavia. These periods not only influenced the country's economic structure but also left lasting imprints on economic thought, policy approaches, and societal attitudes toward economic organization. Therefore, it remains an important question how the economic philosophy of the two periods in question shaped the development trajectory of North Macedonia.

The Common Economic History of North Macedonia with Ottoman and Yugoslav Legacies

Under Ottoman rule (14th–20th century), the region that is now North Macedonia functioned within a larger imperial economic system. The Ottoman economy was largely agrarian, structured around the *timar* system, which distributed land to military and administrative elites in exchange for service to the state (İnalcık, 1994). It can be argued that the *timar* system was most effectively implemented by the Ottomans within Macedonian territory. This system also allowed agricultural surpluses to support both the state and local markets.

Macedonian towns, particularly Skopje, Bitola, and Ohrid, played key roles as regional trade hubs, benefiting from their positions along Ottoman trade routes (Pamuk, 2000a). The development of artisan guilds (*esnafs*) facilitated local production and trade, but the limited industrialization in the region kept it primarily reliant on agriculture and small-scale manufacturing (Karpat, 1974). By the 19th century, the Tanzimat reforms attempted to modernize the economy, introducing land privatization and infrastructure projects, but economic dependence on larger imperial centers remained.

Following Ottoman rule and brief inclusion in the Kingdom of Serbs, Croats, and Slovenes (1918–1941), Macedonia became part of the Socialist Federal Republic of Yugoslavia in 1945. Under Josip Broz Tito's leadership, Yugoslavia pursued a model of socialist economic planning that transformed Macedonia's economic structure.

Industrialization became a central state policy, with investments in heavy industry, mining, and manufacturing. State-owned enterprises (*kombinats*) dominated sectors such as textiles, metallurgy, and agriculture (Woodward, 1995a). The socialist model also introduced workers' self-management, allowing local enterprise decision-making while still operating within centralized state planning (Uvalić, 2012).

Infrastructure development was another key aspect of Yugoslav policy. Railways, roads, and energy projects integrated Macedonia more closely into the Yugoslav economy, reducing regional disparities but also fostering dependence on federal redistribution (Lampe, 2000). However, the region remained one of Yugoslavia's less developed republics, with lower GDP per capita than Slovenia or Croatia.

The dissolution of Yugoslavia in the early 1990s presented significant economic challenges for North Macedonia. The shift from a socialist planned economy to a market-based system led to deindustrialization, rising unemployment, and structural adjustments under IMF and World Bank programs (Bartlett, 2003). The privatization of state-owned enterprises resulted in a shift of economic power, often benefitting political elites and exacerbating economic inequality.

Despite these challenges, North Macedonia continues to grapple with its historical economic legacies. The Ottoman period's emphasis on agrarian economies and trade networks, alongside Yugoslavia's socialist industrialization, both shape the country's current economic policies and regional integration strategies within the European Union. North Macedonia's economic trajectory reflects a complex blend of Ottoman agrarian traditions and Yugoslav industrial socialism. While the Ottoman period left a legacy of trade-based regional connectivity, Yugoslav socialism introduced industrialization and state-led economic planning. Understanding these historical influences is crucial for analyzing North Macedonia's contemporary economic policies and development strategies.

In this chapter, an assessment of the historical economic background of North Macedonia is made in order to prepare a ground for current economic discussions. In light of the information provided above regarding general characteristics and similarities, a brief comparison of the Ottoman Empire and Yugoslavia periods is made in the chapter. This comparison reveals the themes around which these two important and influential periods are similar and different in North Macedonia.

This chapter consists of several sub-sections. In these sections, information is presented for both periods on economic and financial infrastructure (the history of economic structure) and commercial activities. In addition to this information, there is also information about the basic economic worldview in both the Ottoman and Yugoslav periods. Roughly, a comparative analysis of the agricultural economy, financial and fiscal situation and all commercial operations is made.

In these sub-sections, information is presented for both periods on economic and financial infrastructure and commercial activities. In addition to this information, there is also information about the basic economic worldview in both the Ottoman and Yugoslav periods. Roughly, a comparative analysis of agricultural economy, financial and fiscal status, and all commercial operations is made.

Finally, this chapter aims to explain how the economic philosophies of the Ottoman and Yugoslav periods continued to shape the development trajectory of North Macedonia by trying to assess continuity and change in the light of the historical background information about the current economic structure with the help of the information in the sub-sections mentioned above.

THE HISTORY OF ECONOMIC STRUCTURE

The term economic structure refers to the composition and organization of an economy, encompassing its sectors, institutions, and underlying relationships. Economic literature conceptualizes economic structure through various theoretical lenses, including classical political economy, structuralist economics, and institutional analysis. Adam Smith ([1776] 1994) and David Ricardo ([1817] 2004) laid the foundation for structural analysis by emphasizing the division of labor and sectoral composition. In the 20th century, structuralist economists such as Arthur Lewis (1954) and Raul Prebisch (1950) examined the transformation of economic structures, particularly in developing economies, highlighting the role of industrialization and center-periphery dynamics. More recently, institutional economists (North, 1990; Acemoglu & Robinson, 2012) have emphasized the role of governance, property rights, and economic institutions in shaping structural outcomes. Contemporary research integrates computational modeling and network analysis to capture the complexity of global economic structures (Hidalgo & Hausmann, 2009). In this way, the basic discussions in the literature have been briefly presented. Roughly, the economic structure can be described as a dynamic and evolving system affected by basic economic activity areas and analysis, technological change and policy interventions.

The historical background for North Macedonia can be listed as follows. The economic history of North Macedonia is marked by profound structural changes driven by shifting political regimes, external economic dependencies, and regional trade dynamics. In the Ottoman Empire, the region's economy was primarily agrarian, characterized by the çiftlik system, tax farming, and the role of merchant networks in Balkan trade routes. Industrialization remained limited, with artisanal production and small-scale manufacturing centered in urban markets. With its incorporation into socialist Yugoslavia in 1945, North Macedonia underwent a state-led economic transformation aimed at rapid industrialization, infrastructure development, and labor mobilization. Despite these efforts, economic imbalances persisted, with North Macedonia remaining one of the less developed republics in the federation. The dissolution of Yugoslavia and North Macedonia's independence in 1991 led to a difficult transition from a centrally planned economy to a market-oriented system, facing economic shocks, high unemployment, and privatization challenges. Understanding the historical evolution of the economic structure of North Macedonia provides critical insights into its current economic policies, development strategies, and regional economic positioning.

The Economic Structure of North Macedonia under the Ottoman Empire

During the Ottoman period (14th–20th centuries), the economy of the region that now constitutes North Macedonia was primarily agrarian. The Ottoman land tenure system, particularly the timar system, shaped agricultural production and taxation. Under this system, land was distributed to sipahis (cavalrymen) in exchange for military service, but peasants retained usufruct rights. The shift from timar to çiftlik ownership in the 17th and 18th centuries led to greater concentration of land in the hands of private landlords and increasing dependence of peasants on large landowners (İnalcık, 1994).

Financially, Ottoman Macedonia was integrated into the empire's broader fiscal and monetary system, including the use of akçe (silver coin), kuruş (penny-small coin), and later, the Ottoman lira. The fiscal structure was heavily influenced by tax farming (iltizam), which became increasingly priory role by the 18th century. The Ottoman monetary crisis in the late 16th century, triggered by inflation due to the influx of silver from the Americas, also affected the economy of the Balkans, leading to financial instability (Pamuk, 2000b).

The region's economy also depended on trade networks connecting it with Istanbul, the Adriatic coast, and Central Europe. Skopje, Bitola (Monastir), and Ohrid emerged as key commercial hubs. The Ottoman taxation system, including the cizye (head tax on non-Muslims) and çift-hane (land tax), affected economic mobility and wealth distribution, creating a rigid financial structure that persisted until the late 19th century (Karpat, 1985). Hence, trade in Ottoman Macedonia was facilitated by its strategic position along key trade routes connecting Istanbul to Western Europe and the Mediterranean. The guild-based urban economy (esnaf) regulated commercial activities in cities Skopje, Bitola, and Ohrid. These guilds-controlled production, labor conditions, and prices, but by the 19th century, industrialization and competition from European goods led to their decline (Goffman, 2002). This was a typical feature of the period and had a negative impact on almost all Balkan cities.

The Tanzimat reforms (1839–1876) attempted to modernize the Ottoman economic system, introducing private land ownership and easing trade restrictions. However, the reforms had limited impact in North Macedonia due to resistance from local landowners (beys) and continued reliance on subsistence farming (Shaw & Shaw, 1977). Additionally, the development of railways in the late 19th century connected the region more closely to European markets but also intensified external economic dependency. After the Tanzimat period, the general economic structure in Macedonia remained in a state of decreasing productivity without much change.

Economic Transition from the Ottoman Empire to Yugoslavia

Following the Balkan Wars (1912–1913) and the dissolution of Ottoman rule, North Macedonia became part of the Kingdom of Serbs, Croats, and Slovenes (later Yugoslavia) in 1918. During this period, economic policies shifted towards industrialization, but the region remained largely agrarian and underdeveloped relative to other Yugoslav republics.

The collapse of Ottoman rule in the Balkans and the subsequent integration of Macedonia into Yugoslavia (first as part of the Kingdom of Serbs, Croats, and Slovenes in 1918 and later Socialist Yugoslavia in 1945) marked a profound economic shift. Under the Kingdom of Yugoslavia, agrarian policies aimed at breaking up large estates were introduced but had limited success due to inefficiencies in land redistribution. The region remained underdeveloped compared to northern Yugoslavia, as industrialization efforts were concentrated in Slovenia and Croatia (Lampe, 2000). During this period, Macedonia became the subject of less interest.

The transition to a socialist economy after World War II, under Tito's self-management model, significantly altered North Macedonia's economic structure. The government nationalized industries, centralized planning, and promoted rapid industrialization. However, agriculture remained dominant in the early socialist period, with state-controlled cooperatives (kolkhozes and later, kombinats) managing production (Singleton, 1985). Financially, Yugoslavia's non-alignment policy led to economic partnerships with both the Eastern and Western blocs, allowing access to foreign aid and investment. This created a dual structure where socialist policies coexisted with market-driven incentives (Woodward, 1995b).

The socialist period under Josip Broz Tito (1945–1980) marked a radical departure from Ottoman economic traditions. The Yugoslav government implemented a state-controlled economy based on planned industrialization and collectivized agriculture. The collectivization of farms in the late 1940s aimed to modernize agricultural production, but it faced resistance from rural populations accustomed to private landholding traditions inherited from the Ottoman period (Lampe, 2000).

The financial system under Yugoslavia relied on self-managed enterprises, where workers had a degree of autonomy within state-controlled industries. This was a stark contrast to the Ottoman financial model, which had been characterized by tax farming (iltizam) and a reliance on external borrowing (Fine, 1987). Despite socialist economic policies, disparities between urban and rural areas persisted, mirroring the uneven economic development seen in the Ottoman period.

Trade policies under Yugoslavia aimed to integrate Macedonia into the broader socialist bloc while maintaining connections with Western Europe. Unlike the Ottoman period, where trade was monopolized by guilds and imperial regulations, Yugoslavia encouraged industrial exports and import substitution. However, North Macedonia remained one of the less developed republics, reliant on agricultural production and light industry.

Correlation Between Economic Structures in the Ottoman and Yugoslav Periods

A comparative analysis suggests a continuity in agrarian dominance across both periods, though land tenure evolved from Ottoman tax farming to Yugoslav collectivization. Financial instability—whether due to Ottoman monetary depreciation or Yugoslav hyperinflation in the 1980s—remained a recurring theme in the region's economic history. Furthermore, trade structures shifted from Ottoman-controlled guild markets to state-planned trade under socialism, but in both cases, North Macedonia remained economically subordinate within the larger imperial or federal entity (Djokić, 2003).

The transition from the Ottoman to Yugoslav economic system reflects both continuity and transformation. While agrarian structures, financial constraints, and commercial dependencies persisted, Yugoslavia introduced industrialization and financial reforms that, to an extent, altered economic patterns. This was partly a response to the spirit of the times. However, the region's historical reliance on external trade and central planning remained a defining characteristic.

Understanding these historical economic legacies is crucial in assessing contemporary challenges in North Macedonia, including economic integration into the European Union, rural-urban disparities, and post-socialist market adjustments. It can easily be said that the long-term effects of Ottoman agricultural policies and Yugoslav socialist planning continue to shape the economic trajectory of the region.

DIFFERENT PERIODS AND OUTLOOK OF THE ECONOMY

The economic history of Macedonia, as a region within both the Ottoman Empire and later Yugoslavia, reflects broader patterns of transformation, modernization, and integration into different economic and political systems. During the Ottoman period, Macedonia functioned as a peripheral yet significant economic zone, while its incorporation into Yugoslavia in the 20th century shifted its economic trajectory within a socialist framework. This section provides an academic overview of the economic sectors, key economic activities with key industries, and developmental challenges faced by Macedonia under these two political structures (the Ottomans and Yugoslavia).

Agricultural Systems: Ottoman Land Tenure and Yugoslav Collectivization

The agricultural systems of the Ottoman Empire and socialist Yugoslavia represent two distinct yet historically connected models of land tenure and rural organization. The Ottoman timar system, a form of feudal landholding designed to sustain a military and administrative elite, structured agrarian production around state-controlled land distribution. Conversely, Yugoslav collectivization, rooted in Marxist-Leninist ideology, aimed to reorganize rural economies through state-led cooperative farming. Despite their fundamental differences, both systems profoundly influenced agrarian structures, social hierarchies, and rural economies in the Balkans, shaping long-term patterns of land ownership and peasant-state relations. After the general evaluations, it is useful to provide some detailed information for both periods.

Ottoman Period (15th–19th Century)

Under Ottoman rule (14th–20th centuries), Macedonia was part of the broader Balkan economic structure characterized by agrarian dominance, taxation policies, and integration into imperial trade networks. As mentioned before, the region's economy was largely based on small-scale peasant agriculture, with cereals, tobacco, and livestock being primary products (İnalcık, 1994). The Ottoman timar system, which allocated land to military officials in exchange for service, structured rural production but limited capital accumulation and market development (Pamuk, 2000a). Over time, commercialization increased, with cities such as Thessaloniki becoming vital trade centers connected to Mediterranean and European markets (Kolovos et all, 2007). Especially in the trade activities carried out through Thessaloniki in the 19th century, the goods subject to trade were supplied from the north of Macedonia and other capital cities. In this sense, the intensity of commercial operations increased unexpectedly in this century. The strengthening of the connections of the Thessaloniki port with Izmir and Anatolia by sea was effective in this (Serdaroğlu, 2019).

Macedonia's economic fortunes fluctuated with shifts in Ottoman policy and European economic penetration. By the 19th century, increased foreign investments and the spread of cash-crop agriculture, particularly tobacco and cotton, linked the region more closely to global markets (Stoianovich, 2015). However, infrastructural deficiencies and the empire's declining administrative capacity hindered sustained economic growth (Pamuk, 2004).

Agriculture was the backbone of the economy in Ottoman Macedonia, shaped by the timar system, which allocated land to cavalrymen (sipahis) in exchange for military service. However, as Ottoman central authority weakened, the system gradually transformed into private estates (çiftliks), increasing land concentration in the hands of large landlords (İnalcık, 1994). This transformation particularly affected Macedonia, where the fertile Pelagonia Plain and the Vardar Valley became centers of grain, tobacco, and silk production. In general, this structure not only ensured state control over agricultural production but also prevented the rise of a landed aristocracy, a stark contrast to the feudalism of Western Europe (Faroqhi, 2000).

The Ottoman agrarian system aimed to maximize state revenue while securing food production for urban centers and military campaigns. However, by the 17th century, the decline of the timar system due to demographic shifts, economic crises, and the increasing monetization of land led to the emergence of çiftliks—large estates owned by private individuals, signaling a transition towards a more semi-feudal economy (İslamoğlu-İnan, 1994). This transformation set the stage for agrarian relations in the Balkans, where peasant land tenure and state control over agricultural production remained central themes well into the 20th century.

By the late 19th century, the Ottoman Empire attempted agrarian reforms, including the 1873 Land Code, which aimed to grant individual ownership. However, these reforms had limited impact in Macedonia due to persistent feudal structures and lack of infrastructure for small farmers (Karpat, 1974).

Yugoslav Period (1945–1991)

Under socialist Yugoslavia, agricultural collectivization (1945–1953) mirrored Soviet-style land policies. The government established state-run farms (kombinats) and agricultural cooperatives (zadrugas), particularly in Bitola, Kumanovo, and Strumica, known for tobacco and fruit cultivation (Lampe, 2000). Unlike in the Ottoman period, where landlords-controlled land, the Yugoslav government aimed for state ownership but met resistance from peasants who preferred private farming.

Following the establishment of the Socialist Federal Republic of Yugoslavia (SFRY) in 1945, the communist government, under Josip Broz Tito, implemented a radical transformation of the agrarian economy. Influenced by Soviet collectivization models, Yugoslav authorities sought to consolidate individual peasant holdings into collective farms (kolkhozes) to increase efficiency and promote socialist principles (Verdery, 2018). However, collectivization efforts faced strong resistance from the peasantry, who viewed state control as an infringement on their autonomy and economic survival (Lampe, 2000).

Unlike the Soviet Union, Yugoslavia eventually abandoned forced collectivization in the early 1950s, opting instead for a decentralized self-management model. This shift was driven by economic inefficiencies, peasant discontent, and the broader political realignment of Yugoslavia away from Stalinist central planning (Djilas, 1957). As a result, the country developed a unique agrarian system that combined private smallholdings with cooperative structures, allowing a greater degree of peasant participation than in other socialist states (Sekulić, 1997).

The failure of collectivization in the 1950s led to a shift toward a mixed agricultural model, allowing smallholders to coexist with state farms. This dual system preserved traditional rural economies while integrating agriculture into the federal market. Yet, similar to the Ottoman period, Macedonian agriculture remained subordinate to Belgrade's centralized economic planning, limiting regional autonomy (Woodward, 1995a). The general economic outlook of this period can be summarized in this way.

Financial Structures: Monetary Policies and Credit Systems

The financial history of North Macedonia is shaped by its dual legacy: The Ottoman financial system that persisted until the early 20th century and the Yugoslav banking and monetary policies that followed its integration into socialist Yugoslavia. These two distinct financial paradigms had lasting effects on the region's economic structure, currency stability, and banking institutions. It is important to give a brief and detailed explanation for both periods separately in order to make a comparison.

Ottoman Financial System (16th–19th Century)

During the Ottoman period, financial administration was based on Islamic economic principles and centralized fiscal mechanisms. The iltizam (tax farming) system played a crucial role in revenue collection, while state-controlled waqfs (charitable endowments) influenced local financial flows (İnalcık, 1994). The introduction of paper currency (kaime) in the 19th century as part of the Tanzimat reforms reflected the empire's struggle to modernize its financial system and control inflation amid economic crises (Pamuk, 2000b). Despite these efforts, the Ottoman monetary system remained fragile, with periodic debasements of the currency and reliance on foreign loans.

Macedonia was part of the imperial Ottoman fiscal system, meaning its currency, taxation, and credit institutions were controlled by the central government in Istanbul. The Ottoman Empire suffered severe monetary depreciation in the late 16th and early 17th centuries, primarily due to the influx of silver from the Americas into Europe, which devalued the Ottoman akçe and later the kuruş (Pamuk, 2000b).

The esham system, a form of state-issued bonds introduced in the 18th century, was used to finance military expenditures and infrastructure projects, including roads and caravanserais in Macedonia (Goffman, 2002). Local trade networks were supported by Islamic credit institutions, such as vakıfs (charitable endowments), which played a role in financing urban development in Skopje and Bitola.

Yugoslav Banking and Inflation (20th Century)

Following the dissolution of the Ottoman Empire and the integration of Macedonia into the Kingdom of Serbs, Croats, and Slovenes (later Yugoslavia), a new financial structure emerged. The National Bank of Yugoslavia (Narodna banka Kraljevine Jugoslavije) controlled monetary policy, but the banking sector was underdeveloped in Macedonia due to limited industrialization and persistent regional disparities (Lampe & Jackson, 1982).

In the Yugoslav period, Macedonia became part of a centralized socialist banking system, where the National Bank of Yugoslavia dictated credit allocation. The country relied on state-controlled financial institutions such as Stopanska Banka, founded in Skopje in 1944, which played a key role in financing industrial and agricultural development. During the socialist period (1945–1991), Yugoslavia adopted a self-management economic model, which sought to decentralize financial decision-making. However, the country's frequent monetary expansions and deficit financing led to recurrent inflation, peaking in the 1980s when hyperinflation destabilized the economy (Woodward, 1995). North Macedonia, as one of the less-developed republics, faced higher inflationary pressures, exacerbated by structural weaknesses in state-run enterprises and limited capital investment (Palairet, 1997). The banking sector, dominated by socially owned banks, suffered from inefficiencies, non-performing loans, and political interference.

During the 1980s, Yugoslavia suffered hyperinflation, caused by excessive government borrowing and external debt accumulation. Macedonia, already an economically weaker republic, was disproportionately affected. By the early 1990s, inflation reached over 1,000%, reminiscent of the Ottoman Empire's monetary crises in the 17th century (Singleton, 1985). By the late 20th century, Yugoslavia's economic decline, coupled with rising external debt and inflationary spirals, set the stage for the disintegration of the federation. Macedonia, upon gaining independence in 1991, had to restructure its financial system, introduce a new national currency (the denar), and combat inflationary legacies from the Yugoslav period.

Commercial Networks in History: Trade and Industry in Macedonia

The commercial networks of the Ottoman Empire and Yugoslavia played a crucial role in shaping the economic landscape of Macedonia, facilitating trade, industry, and cross-regional exchanges. Situated at the crossroads of the Balkans, Macedonia functioned as a key hub for commerce, with its strategic location enabling interactions between merchants, manufacturers, and financial institutions from diverse economic and cultural backgrounds. These networks not only influenced local markets but also integrated Macedonia into broader economic systems spanning the Ottoman and Yugoslav periods.

Ottoman Period: Trade and Guilds

During the Ottoman period (14th–20th centuries), Macedonia was an essential part of the empire's provincial economy. The region benefited from well-developed caravan routes, river transport, and urban centers such as Skopje, Bitola, and Thessaloniki, which became major commercial hubs (İnalcık, 1994). The Ottoman economic model, heavily influenced by the ilmiyye (judiciary), seyfiye (military), and kalemiye (bureaucracy) classes, functioned through a combination of state control over strategic goods and private mercantile initiatives (Pamuk, 2000a). Trade in textiles, leather, tobacco, and agricultural products flourished, facilitated by the guild system (esnaf), which structured economic life and regulated commerce within the empire(Faroqhi, 2000). The Ottoman road and caravanserai infrastructure supported long-distance trade, linking Macedonian towns with Istanbul, Vienna, and even the Mediterranean world through Thessaloniki's port.

Trade routes running through Macedonia connected the Balkans, Anatolia, and Central Europe, making Skopje and Bitola key commercial centers. The guild system (esnaf) controlled production, trade, and labor in cities. The textile industry, particularly wool and silk production, was well-developed in Prilep and

Tetovo. However, European industrial goods began outcompeting local production in the 19th century, weakening these guilds (İnalcık, 1994).

The introduction of railways in the late 19th century, such as the Salonika-Skopje-Mitrovica line (1873), facilitated the integration of Macedonian trade into the Ottoman-European economy. This infrastructure investment, funded by French and British banks, created foreign dependency, an issue that continued into the Yugoslav period (Pamuk, 2000a).

Yugoslav Period: Industrialization and Trade Policies

With the dissolution of the Ottoman Empire and the establishment of the Kingdom of Serbs, Croats, and Slovenes (later Yugoslavia) in 1918, Macedonia's economic structure experienced significant transformations. The integration into a centralized Yugoslav economic system led to shifts in production and distribution patterns. The Kingdom prioritized industrialization in northern regions (Slovenia, Croatia, and Serbia), while Macedonia remained predominantly agrarian, producing raw materials for Yugoslav markets (Lampe, 2000). The interwar period saw increasing state intervention in trade, with tariff policies and import-export controls shaping commercial activities.

Under socialist Yugoslavia (1945–1991), economic policies dramatically altered Macedonia's commercial and industrial framework. The self-management economic model, introduced by Tito's government, decentralized control over enterprises, enabling regional economic actors to participate in trade decisions (Woodward, 1995). Macedonia underwent industrialization, with the development of textile, metal, and chemical industries, though disparities between northern and southern Yugoslav regions persisted. State investments in infrastructure, particularly railways and electrification, strengthened trade connections but did not fully overcome the structural economic weaknesses inherited from previous periods (Palairet, 1997).

Yugoslavia's economic strategy in the 1950s and 1960s prioritized industrialization, with investments in steel, mining, and textiles in Macedonia. Factories such as Ohis Chemical Industry (Skopje) and Jugohrom Ferroalloys (Tetovo) became major employers. Under Tito's non-alignment policy, Yugoslavia established trade relations with both Western and Eastern bloc countries. While this diversified Macedonia's export markets, it also meant reliance on foreign credit and loans, much like Ottoman dependence on European finance (Djokić, 2003).

By the late 1980s, Macedonia's economy suffered from federal economic mismanagement, mirroring Ottoman-era fiscal dependency. The transition from a planned economy to a market system in the 1990s was abrupt, leading to economic decline and rising unemployment.

Despite political and economic shifts, commercial networks in Macedonia exhibited notable continuities between the Ottoman and Yugoslav periods. Merchant families, many of whom traced their origins to Ottoman-era trading houses, continued to play a role in regional commerce. Thessaloniki, a vital Ottoman trading hub, remained economically significant for Macedonian commerce well into the Yugoslav period. Additionally, informal trade networks, particularly those linked to cross-border exchanges with Greece, Bulgaria, and Serbia, persisted across both imperial and socialist economic systems (Mazower, 2004).

By analyzing these historical transformations, we gain insights into how commerce and industry in Macedonia evolved under different political and economic frameworks. The legacies of Ottoman-era guilds, trading hubs, and infrastructural investments, alongside Yugoslav-era industrialization and planned economic policies, contributed to the complex economic fabric of the region. This historical perspective is essential for understanding the commercial dynamics that continue to shape Macedonia's economy today.

CONTINUITY AND CHANGE IN MACEDONIA: ECONOMIC CONTINUITIES BETWEEN THE OTTOMAN AND YUGOSLAV PERIODS

The economic history of the Balkans is marked by complex transitions, yet significant continuities can be observed between the Ottoman and Yugoslav periods. While the political transformations were drastic—culminating in the dissolution of Ottoman rule in the early 20th century and the establishment of socialist Yugoslavia after World War II—the economic structures, institutional legacies, and modes of production displayed remarkable persistence. These continuities are particularly evident in land tenure systems, trade networks, fiscal policies, and the patterns of state intervention in the economy. Here, as an introduction, continuity and changes in terms of economic policy and economic institutions will be discussed. In the following sub-sections, this continuity and change will be processed with different sectoral information.

Institutional and Land Tenure Legacies

One of the most enduring economic continuities from the Ottoman period into the Yugoslav period was the agrarian structure. Under the Ottomans, the land tenure system was based on the timar and çiftlik arrangements, where land was primarily state-owned and granted to military and administrative elites for tax collection purposes (İnalcık, 1994). Even after the formal abolition of the timar system in the 19th century, many of its economic and social functions persisted in different forms. During the Yugoslav period, particularly under socialist policies, collectivization of agriculture under state-run cooperatives echoed some of the centralized control seen under Ottoman land administration (Lampe, 2000). Despite ideological differences, both systems maintained a high degree of state oversight in agrarian production, limiting the emergence of a robust independent peasantry.

Trade Networks and Economic Interactions

Trade patterns in the Balkans exhibited remarkable resilience from the Ottoman into the Yugoslav period. Ottoman economic networks, which were closely integrated into regional and intercontinental trade routes, structured commercial activity across the Balkans. The port cities of Salonica (Thessaloniki), Dubrovnik, and Istanbul functioned as major economic hubs, facilitating trade between Europe, the Middle East, and North Africa (McGowan, 1994). While Yugoslavia pursued policies of socialist self-management and partial economic autarky, it also maintained strong trade links with former Ottoman territories, particularly in the Eastern Mediterranean and the Middle East, due in part to historically entrenched economic ties (Barkey, 2008).

Fiscal Policies and State Intervention

Ottoman fiscal policies emphasized indirect taxation through the iltizam (tax farming) and later, centralized taxation models under the Tanzimat reforms (Karpat, 1974). While Yugoslavia's economic policies were driven by socialist planning and self-management theories, the state's role in directing economic activity remained pronounced. The bureaucratic apparatus inherited from the late Ottoman period facilitated the establishment of a centrally planned economy under Titoist socialism, particularly in tax collection, public finance, and infrastructure development (Horvat, 1982).

Industrialization and Modernization Trajectories

Despite ideological divergences, both the late Ottoman Empire and socialist Yugoslavia sought to modernize their economies through state-led industrialization. The Ottoman Empire's Tanzimat-era economic reforms, particularly the development of railroads, banking institutions, and state-owned enterprises, laid the groundwork for later industrial initiatives in the region (Pamuk, 2000a).

Yugoslavia built upon this infrastructure, expanding industrial production through state ownership and socialist planning while maintaining the regional disparities that had characterized the Ottoman economy.

While the Ottoman and Yugoslav states operated under different political and ideological paradigms, their economic policies exhibited striking continuities. The persistence of land tenure structures, trade networks, state fiscal policies, and patterns of industrialization underscore the long-term path dependencies in Balkan economic history. These continuities suggest that economic transformations in the region were often incremental rather than revolutionary, shaped by enduring institutional frameworks and historical legacies. Further research into these economic continuities can provide valuable insights into the structural forces that have shaped the modern economic landscape of the Balkans.

In this section, the information provided around the above themes has actually been used to emphasize various continuities in economic structures between the Ottoman and Yugoslav periods. The historical structural and sectoral economic adventure of North Macedonia also presents us with many important issues regarding the future. These issues show that economic dependence and regional underdevelopment are long-term structural problems, transcend political regimes and continue in the post-Yugoslav period.

Agricultural Systems: Empirical Trends in Ottoman and Yugoslav Macedonia

The agrarian history of Macedonia, situated at the crossroads of Europe and Asia, reflects a complex interplay of environmental, economic, and socio-political factors. As a region under Ottoman rule for several centuries and later incorporated into the Yugoslav socialist framework, Macedonia's agricultural systems evolved in response to shifting land tenure structures, state policies, and market forces. This paper examines empirical trends in agriculture during these two distinct periods, with a focus on production patterns, landownership structures, and rural labor organization.

Agriculture in Ottoman Macedonia: Land Tenure and Production Patterns

Under the Ottoman Empire, Macedonia was integrated into a broader imperial agricultural framework dominated by the timar system, a form of military land tenure that dictated agrarian production and taxation (İnalcık, 1994). The timar system functioned as a decentralized form of land management, wherein local sipahis (cavalry officers) were granted usufruct rights over land in exchange for military service. These lands were primarily cultivated by peasant households (reaya), who were subject to a mix of in-kind and monetary taxation.

From the 17th century onward, the transition from the timar system to çiftlik estates—a more commercialized and privately controlled form of landholding—marked a significant transformation in Ottoman Macedonia's rural economy. The çiftliks, often owned by urban elites and high-ranking officials, encouraged the production of cash crops such as tobacco, cotton, and cereals, responding to growing European demand (Stoianovich, 2015). This period also witnessed increased rural stratification, as wealthy landowners accumulated large estates while many peasants faced mounting debt and dispossession (Sefer et al., 2021).

Ottoman Macedonia was predominantly rural, with 80-85% of the population engaged in agriculture by the 19th century (Karpat, 1974). The region's key agricultural products included:

- Cereals (wheat, barley, corn) – cultivated in the Pelagonia Plain and Vardar Valley.
- Tobacco and silk – major cash crops, especially in Bitola and Ohrid, driven by export demand.
- Sheep and goat herding – common in Shar Mountain and Mariovo regions for wool and dairy production.

It is also necessary to provide some information for this transformation related to the Ottoman Empire's agricultural implementation until the 19th century. These are shown as follows:

- In 1600, 85% of agricultural land in Macedonia was controlled under the timar system, where peasants paid land taxes (öşür) ranging from 10-20% of their harvest (İnalcık, 1994).
- By 1800, the rise of the çiftlik system led to 50% of land being owned by private landlords, increasing rural indebtedness and peasant displacement (Pamuk, 2000a).

Yugoslav Period: Agricultural Reforms and Their Effects

With the incorporation of Macedonia into the Socialist Federal Republic of Yugoslavia in 1945, the agrarian landscape underwent radical restructuring. The new communist regime, following the Soviet model, sought to collectivize agriculture through state-controlled cooperatives (zadrugas) and large-scale mechanization. The collectivization drive, however, met with significant resistance from Macedonian peasants, who were deeply attached to private land ownership (Lampe, 2000).

By the 1950s, Yugoslav leadership under Josip Broz Tito abandoned forced collectivization in favor of a mixed agricultural system that allowed smallholder farming alongside state-run agribusinesses. The shift to market socialism fostered the growth of agro-industrial complexes and export-oriented agriculture, particularly in sectors like viticulture and tobacco farming (Crampton, 2002). Empirical data from the Yugoslav period suggest that Macedonia, though agriculturally productive, remained one of the less industrialized republics, relying heavily on labor-intensive farming practices (Singleton & Carter, 1982).

In contrast to the Ottoman period, Yugoslav Macedonia underwent forced collectivization (1945-1953) under Tito's government. However, Macedonia remained an agriculturally underdeveloped republic within Yugoslavia. Key trends included:

- Collectivized farmland peaked at 31.5% of total arable land in 1953 (Lampe, 2000).
- By 1965, collectivized agriculture was largely abandoned due to inefficiencies, and private farms accounted for 80% of total agricultural output.
- Cereal yields per hectare increased from 1.1 tons in 1950 to 2.5 tons by 1980, due to mechanization and irrigation (Woodward, 1995a).

It is also necessary to provide some information for this transformation related to the Yugoslavia's agricultural implementation in the 20th century. It is about the Tobacco Industry in Macedonia with notes are shown as follows:

- Bitola and Prilep became leading tobacco production centers, contributing 40% of Yugoslavia's total tobacco exports by the 1980s.
- Tobacco cooperatives (zadrugas) were created, but high state taxes on agricultural production led many small farmers to resist collectivization (Singleton, 1985).

The transition from Ottoman to Yugoslav rule in Macedonia's agricultural sector reflects broader shifts in economic organization, from a semi-feudal system to state-directed development. Ottoman-period agrarian structures laid the foundation for the persistence of small-scale peasant farming, while Yugoslav policies introduced mechanization and market integration. A summary of some economic indicators can be seen in Table 1. Despite modernization efforts, rural Macedonia continued to experience socio-economic disparities, with agricultural labor migration to urban centers and Western Europe becoming a major trend in the late 20th century (Schierup, 1990).

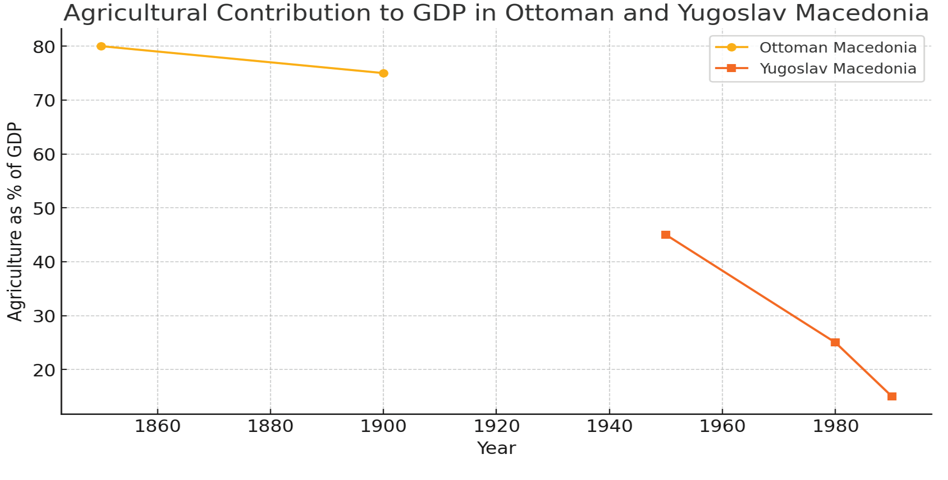
Table 1. Economic Indicators of the Ottoman and Yugoslavia Periods

Economic Indicator	Ottoman Macedonia (1850s)	Yugoslav Macedonia (1980s)
Agricultural Share of GDP	~80%	25%
Share of Peasants in Total Population	85%	55%
Average Landholding Size	1-5 hectares (smallholders)	2-10 hectares (mixed system)
Major Export Crops	Tobacco, silk, wool	Tobacco, grapes, vegetables
Agricultural Tax Rate	10-20% (öşür tax)	35-50% (state procure-ment quotas)

Source and Note: Information and data were compiled by the author.

This sub-section underscores the importance of historical continuity in unders-tanding agrarian transformations, particularly in regions marked by imperial legacies and socialist experiments. In this sense, in the light of historical data, it is possible to see the place of agricultural production in national income for the two relevant periods from Figure 1. Future research should further explore the micro-level impacts of these macroeconomic shifts, using archival data and oral histories to capture the lived experiences of Macedonian rural communities.

Figure 1. Economic Indicators of the Ottoman and Yugoslavia Periods



Financial Structure in History: Fiscal and Monetary Trends in Macedonia

Macedonia's fiscal and monetary systems underwent profound transformations under the rule of the Ottoman Empire and later within the Socialist Federal Republic of Yugoslavia. As an economically peripheral yet strategically significant region, Macedonia's financial history reflects broader imperial and state-driven economic policies. This sub-section examines the fiscal and monetary trends in Ottoman and Yugoslav Macedonia, focusing on taxation, state expenditures, monetary circulation, and financial institutions.

Fiscal Structures in Ottoman Macedonia: Taxation and Public Finance

During the Ottoman period, Macedonia was integrated into a centralized fiscal system that relied primarily on land-based taxation and trade levies. The mukataa (tax farming) and iltizam (tax farming contracts) were central mechanisms through which state revenues were collected (İnalcık, 1994). Under these systems, local elites and urban financiers advanced lump-sum payments to the state in exchange for the right to collect taxes from agricultural producers and merchants. This practice ensured immediate fiscal liquidity for the Ottoman treasury but also led to exploitative taxation and financial distress among peasant communities (Pamuk, 2000a).

The transition from the timar system to privatized çiftlik estates in the 18th and 19th centuries altered Macedonia's fiscal dynamics. Wealthy landowners increasingly controlled agricultural production, while direct taxation on peasant earnings became more burdensome(Sefer et al., 2021). Furthermore, the introduction of European-inspired financial reforms in the Tanzimat period (1839–1876) attempted to modernize revenue collection through a centralized bureaucracy, yet the persistence of local tax abuses and corruption remained widespread (Karpat, 1974). Macedonia's strategic location along major trade routes made customs duties another vital source of revenue, particularly for regulating commerce between the Ottoman Balkans and the Habsburg and Russian markets (Stoianovich, 2015).

Monetary policies during the Ottoman period were largely dictated by the empire's fluctuating silver and copper-based currency system. The depreciation of the akçe and later its replacement with the kurush reflected broader trends of fiscal instability (Table and Figure 2), with periodic debasements undermining price stability and rural market confidence (Pamuk, 2004). By the late 19th century, European banking penetration—led by the Ottoman Imperial Bank—introduced new financial instruments such as state bonds and foreign loans, deepening Macedonia's integration into global monetary networks while also increasing imperial indebtedness (Quataert, 2000).

Macedonia, as part of the Ottoman Empire, was heavily taxed to support imperial administration and military campaigns. Major fiscal trends included as shown:

- Tax burden: Peasants paid a combination of the öşür (land tax), cizye (non-Muslim tax), and avarız (extraordinary war tax).
- Currency depreciation: By 1690, the Ottoman akçe had lost 75% of its value due to inflation caused by European silver influx (Pamuk, 2000b).
- Foreign Debt: By 1881, the Ottoman Empire was forced into fiscal receivership under the Ottoman Public Debt Administration (Düyun-u Umumiye), meaning much of Macedonia's revenue was diverted to European creditors.

Yugoslav Macedonia: Socialist Fiscal Policies and Monetary Reforms

Following Macedonia's incorporation into the Socialist Federal Republic of Yugoslavia in 1945, its fiscal system was restructured to align with centralized socialist planning. The Yugoslav government, under the leadership of Josip Broz Tito, initially pursued a Soviet-style economic model, emphasizing heavy taxation of private wealth, forced collectivization, and state-directed investments in industrialization (Lampe, 2000). By the 1950s, however, Yugoslavia diverged from strict central planning in favor of market socialism, granting limited financial autonomy to republics, including Macedonia.

The fiscal policies of socialist Macedonia reflected the broader Yugoslav strategy of balancing state control with decentralized self-management. Direct taxation was replaced by indirect revenue mechanisms, such as enterprise-based contributions and communal funding for infrastructure projects (Singleton & Carter, 1982). The Yugoslav National Bank (Narodna Banka Jugoslavije) played a central role in monetary policy, issuing currency and regulating inflationary pressures, particularly during economic crises in the 1970s and 1980s (Woodward, 1995).

Monetary policy in socialist Macedonia was marked by periodic inflationary cycles, driven by high public spending and state subsidies for industrial and agricultural sectors. The dinar, Yugoslavia's national currency, experienced recurrent devaluations, reflecting both internal inefficiencies and external trade imbalances (Palairet, 1997). By the 1980s, Macedonia faced mounting fiscal deficits, exacerbated by declining foreign loans and increasing pressure from international financial institutions to reform its monetary system (Schierup, 1990). The economic crisis of the late 1980s ultimately set the stage for the dissolution of Yugoslavia, with Macedonia adopting its own independent fiscal and monetary policies after 1991.

Under Yugoslav socialism, Macedonia's financial autonomy was limited as Belgrade controlled banking policies. However, industrial investment was higher compared to the Ottoman period. Major financial anecdotes included as shown:

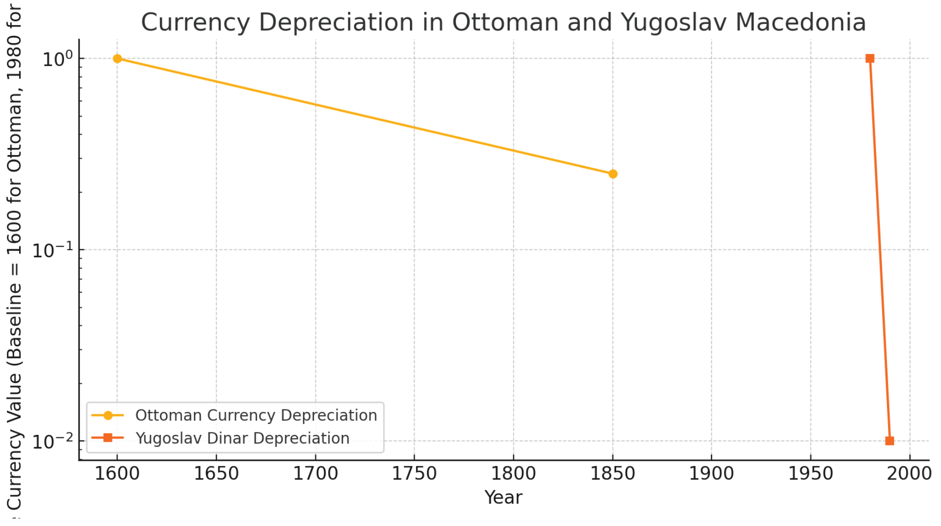
- Banking institutions: Macedonia's economy was centrally planned, with key institutions like Stopanska Banka (Skopje) controlling credit allocation.
- Foreign borrowing: Yugoslavia relied on IMF loans and Western credit, leading to an external debt crisis exceeding $20 billion by 1985 (Woodward, 1995b).
- Hyperinflation crisis (1980s): Yugoslav inflation peaked at 1,200% in 1989, causing economic instability similar to the Ottoman financial crises of the 19th century (Table and Figure 2).

Table 2. Currency Depreciation in the Ottoman and Yugoslav Macedonia

Year	Ottoman Currency (Akçe/Kuruş)	Yugoslav Dinar (per USD)
1600	1 akçe = 1/50 gram silver	-
1850	1 kuruş = 1/100 gram silver	-
1971	-	1 dinar = 17 USD
1980	-	1 dinar = 0,0344 USD
1987	-	1 dinar = 0,00218 USD

Source: Şevket Pamuk, (2000b). *A Monetary History of the Ottoman Empire*, Cambridge: Cambridge University Press; 1971–1975: Bilten NBJ, (Bulletin NBY), number 1, 1981, 1976–1984: Bilten NBJ, (Bulletin NBY), number 1, 1985, 1985–1989: Bilten NBJ, (Bulletin NBY), number 11–12, 1989.

Figure 2. Currency Depreciation in the Ottoman and Yugoslav Macedonia



Note: Currency value (Baseline=1600 for the Ottoman Empire, 1980 for Yuvoslavia).

Commercial Networks: Trade and Industrialization in Ottoman and Yugoslavian Macedonia

Macedonia, strategically located at the crossroads of Southeast Europe, played a crucial role in the commercial networks of both the Ottoman Empire and socialist Yugoslavia. Its economic trajectory was shaped by shifting trade routes, changing state policies, and evolving industrialization strategies. While the Ottoman period was characterized by an agrarian-based trade economy integrated into imperial and regional markets, Yugoslav Macedonia experienced state-led industrialization within a socialist framework. This paper examines the commercial and industrial dynamics of Ottoman and Yugoslavian Macedonia, focusing on trade networks, key industries, and economic transformations.

Trade Networks, Commerce, Trade Hubs in Ottoman Macedonia

During the Ottoman period, Macedonia functioned as an important commercial hub, linking the Aegean ports, central Balkan markets, and Anatolian trade routes. Ottoman commercial policies were shaped by a mix of state-controlled and private trade structures, with merchant guilds (esnafs) playing a central role in regulating economic activities (İnalcık, 1994). The region's trade was dominated by agricultural products, textiles, and raw materials such as wool, cotton, and leather, which were exported to both domestic and European markets (Quataert, 2000).

The Ottoman Empire's integration into the global economy during the 18th and 19th centuries, particularly through the expansion of European capitalism, reshaped Macedonia's commercial networks. The Treaty of Küçük Kaynarca (1774) and subsequent trade agreements facilitated foreign penetration into Ottoman markets, leading to an increase in exports of cash crops such as tobacco and silk (Pamuk, 2000a). The rise of European commercial houses in Thessaloniki and Skopje further strengthened Macedonia's economic ties with Western Europe, yet it also heightened dependency on foreign capital and exacerbated regional economic disparities (Stoianovich, 2015).

By the late 19th century, the construction of railways, such as the Salonica-Bitola and Salonica-Skopje lines, reinforced Macedonia's role as a trade corridor, facilitating the movement of goods and people between the Balkans and the wider Ottoman world (Palairet, 1997). However, economic instability, peasant revolts, and the decline of Ottoman state control contributed to disruptions in commercial activities, paving the way for new economic structures in the 20th century. Macedonia, as part of the Ottoman Empire, was the common trdae centre for the Ottomans. In this sense, important points can be listed as follows:

- Skopje and Bitola were leading commercial centers, with weekly bazaars attracting merchants from Venice, Istanbul, and Vienna (Goffman, 2002).
- Railway expansion (1870s): The construction of the Salonika-Skopje-Mitrovica railway facilitated grain and wool exports but also made Macedonia dependent on foreign capital from British and French investors.

Industrialization and Trade Under Yugoslav Socialism

Following the incorporation of Macedonia into the Socialist Federal Republic of Yugoslavia in 1945, the region underwent a radical transformation driven by state-led industrialization. The Yugoslav government, under Josip Broz Tito, prioritized heavy industry and infrastructural development as part of its broader socialist economic strategy (Lampe, 2000). Macedonia, historically agrarian, was integrated into the federal economy through planned industrial investments in mining, textile production, and energy sectors.

The socialist economic model emphasized centralized control over trade and commerce, with state-owned enterprises (SOEs) dominating production and distribution networks. Industrial zones were developed in major cities such as Skopje, Bitola, and Veles, fostering employment and urbanization (Singleton &

Carter, 1982). The textile and tobacco industries, building on Macedonia's Ottoman-period commercial heritage, remained key export sectors, while newer industries such as metallurgy and chemical production expanded under Yugoslav industrial policies (Palairet, 1997).

Trade in Yugoslav Macedonia was largely dictated by Yugoslavia's unique position in the Cold War, balancing economic relations between socialist and Western markets. The country's participation in the Non-Aligned Movement allowed Macedonia to export industrial goods to both Eastern Bloc nations and Western Europe, creating a diversified trade portfolio (Woodward, 1995). However, by the 1980s, inefficiencies in the socialist economy, rising foreign debt, and declining productivity weakened Macedonia's industrial growth, contributing to the economic crises that preceded Yugoslavia's dissolution.

Under socialist Yugoslavia, Macedonia experienced rapid industrialization, with major factories in Skopje, Veles, and Kumanovo. Key sectors can be listed as follows:

- Textiles: Skopje became a center for cotton and wool production, mirroring the Ottoman guild-based textile economy.
- Mining: The Feni nickel mines were developed, contributing to 5% of Yugoslavia's total mineral exports by the 1980s.
- Exports: Macedonia's trade partners shifted from the Ottoman European market to non-aligned countries such as India, Egypt, and Indonesia under Tito's foreign policy.

Under Yugoslav socialism, Macedonia's indicators related to the commercial operations and the centres are listed as follow:

- Between 1950-1980, industrial output in Skopje increased by 400%, transitioning the city from a rural town to an industrial hub.
- However, by 1991, the collapse of Yugoslavia led to a 70% decline in industrial production due to loss of federal subsidies.

A comparative analysis of Macedonia's commercial and industrial history under Ottoman and Yugoslav rule reveals both continuity and rupture. Ottoman Macedonia's trade networks were deeply embedded in regional and imperial economic systems, emphasizing agrarian exports and merchant activity. Yugoslav Macedonia, in contrast, experienced state-led industrialization, shifting its economic base from agriculture to industry. However, despite these structural transformations, economic challenges such as dependency on external markets, regional economic imbalances, and labor migration persisted across both periods.

This study highlights the importance of historical economic structures in shaping contemporary development trajectories. Future research should explore microeconomic data, including trade records and industrial output statistics, to provide a more nuanced understanding of Macedonia's commercial evolution.

ECONOMIC PHILOSOPHY and STATE-ECONOMY

The economic philosophy of a state shapes its approach to governance, market regulation, and resource distribution. In Ottoman and Yugoslavian Macedonia, economic policies reflected broader ideological and structural changes over time. Ottoman economic philosophy was rooted in a mix of mercantilist state control, Islamic economic principles, and pragmatic adaptations to global economic transformations. In contrast, the socialist Yugoslav state pursued a planned economy that evolved from rigid centralization to a unique form of market socialism. This sub-section explores the economic philosophies and state-economy relations in Ottoman and Yugoslav Macedonia, focusing on governance structures, market regulation, and fiscal strategies.

Ottoman Period (14th – 1912): Economic Philosophy and Centralized Control with Limited Economic Autonomy in Macedonia

The Ottoman economy functioned under a blend of Islamic economic doctrines, imperial pragmatism, and bureaucratic control. The state's economic role was primarily to ensure social stability through a balanced system of production, taxation, and trade regulation (İnalcık, 1994). The guiding economic philosophy was influenced by the classical Islamic principle of hisba, which emphasized just pricing and prevention of economic monopolies. However, Ottoman economic management was also deeply pragmatic, adapting to the challenges of European economic expansion and internal structural transformations.

Macedonia, as part of the Ottoman Balkans, was integrated into an agrarian economy where state control over land tenure was central. The timar system, in which land was granted to military officers (sipahis) in exchange for service, reflected a semi-feudal structure that linked economic production to state administration (Sefer, 2021). By the 18th and 19th centuries, with the decline of the timar system and the rise of the çiftlik estates, Macedonia's economy became increasingly commercialized, with wealthier landowners controlling production and trade (Pamuk, 2000a).

The Ottoman state played a significant role in economic planning, imposing fixed taxation systems and regulating trade networks through imperial monopolies and customs duties (Quataert, 2000). This interventionist approach was consistent with mercantilist policies aimed at maintaining a self-sufficient economy, even as European economic penetration grew in the 19th century. The Tanzimat reforms (1839–1876) introduced limited liberal economic policies, such as the privatization of land and monetary modernization, yet the state remained the dominant economic actor (Karpat, 1974).

During Ottoman rule, the state maintained a strong role in the economy, primarily through its taxation system, land tenure arrangements, and regulatory frameworks.

Land and Agriculture: The *Timar* System:

- The state-maintained ownership of most land and allocated it to military officers and local administrators under the *timar* system.
- This arrangement ensured state control over agricultural production, as landholders collected taxes from peasants in exchange for military service.
- Over time, the system transitioned into the *çiftlik* system, leading to the rise of private landowners who, although powerful, still operated within state-imposed regulations.

Trade and Urban Economy: State-Regulated Commerce:

- The Ottoman economy was structured around *guilds (esnaf)*, which functioned under strict state supervision.
- The state-controlled prices, quality, and production quotas, limiting market competition and ensuring stability in trade.
- Trade was taxed heavily, and major markets and caravan routes were regulated by the central government, reinforcing the state's economic dominance.

Taxation and Fiscal Policies:

- The state imposed multiple taxes (*jizya* on non-Muslims, *zakat* on Muslims, *avariz* emergency levies), ensuring a steady flow of revenue to the empire.
- Although local elites and landlords had some autonomy in collecting taxes, the ultimate economic power remained centralized in the hands of the Ottoman administration.

Yugoslav Period (1945 – 1991): Socialist State Dominance Over the Economy

With the establishment of socialist Yugoslavia in 1945, Macedonia's economic system was radically restructured under Marxist economic principles. The state adopted a command economy, where the means of production were nationalized, and central planning dictated resource allocation (Lampe, 2000). The Yugoslav economic philosophy was initially aligned with Soviet-style collectivization and industrialization, but by the 1950s, it diverged towards a model of self-management socialism, which sought to balance state control with worker autonomy in economic enterprises (Woodward, 1995).

Macedonia, historically an agrarian province, was integrated into the Yugoslav economic structure through heavy state investment in industrialization and infrastructure. The state dictated production quotas and economic outputs while maintaining strict control over trade and financial markets (Singleton & Carter, 1982). Unlike Ottoman economic policies, which balanced taxation with market flexibility, the Yugoslav government relied on central economic planning to allocate resources and regulate industry. However, the shift to self-management socialism in the 1960s gave workers' councils greater autonomy in decision-making, marking a unique departure from other socialist economies (Palairet, 1997).

Trade policies under Yugoslav socialism were shaped by geopolitical positioning, with Macedonia engaging in economic exchanges both with Eastern Bloc countries and Western Europe due to Yugoslavia's non-aligned status (Schierup, 1990). However, state-controlled industrialization led to inefficiencies and over-dependence on federal subsidies, making Macedonia one of the less developed republics in the federation. By the 1980s, fiscal imbalances, declining industrial productivity, and rising foreign debt signaled the limits of Yugoslav economic philosophy, leading to economic stagnation before the breakup of the federation (Woodward, 1995).

Under Yugoslavia's socialist system, the relationship between the state and the economy was even more centralized, following principles of self-managed socialism.

State-Owned Enterprises and Central Planning:

- The Yugoslav state controlled major industries such as mining, metallurgy, and manufacturing.
- Five-year plans dictated production quotas and investment priorities, with Skopje and other urban centers becoming hubs for industrialization.

- The socialist model sought to reduce private enterprise, ensuring that most economic activity was conducted through state-owned companies.

Self-Management and Workers' Councils:

- Unlike Soviet-style centralization, Yugoslavia adopted a *self-management* model, granting workers some control over their workplaces.
- However, the state still retained ultimate authority over economic decision-making, particularly in allocating resources and setting industrial targets.
- This system created inefficiencies, as political loyalty often dictated economic policies rather than market dynamics.

Redistribution and Regional Disparities:

- While wealth was redistributed across Yugoslavia, North Macedonia remained one of the less-developed republics, receiving federal investments but lacking local economic autonomy.
- The state prioritized industrialization, but infrastructure and private enterprise remained weak due to the overarching socialist framework.

Comparative Analysis: Ottoman and Yugoslav State-Economy Relations

A comparison of economic philosophy and state-economy relations in Ottoman and Yugoslav Macedonia highlights key differences in governance, economic intervention, and fiscal strategies. Ottoman economic policies were characterized by a hierarchical land-based taxation system and mercantilist trade regulations, whereas Yugoslav Macedonia experienced a radical transformation towards state-directed industrialization and socialist planning. Despite these differences, both periods witnessed challenges such as external economic dependency, regional economic disparities, and periods of state-led economic reform.

Both the Ottoman and Yugoslav states maintained a dominant role in the economy, though through different mechanisms. The Ottomans relied on a hierarchical taxation and land tenure system to extract economic value, while Yugoslavia implemented state socialism, nationalizing industries and directing economic planning. These historical experiences left a lasting institutional legacy in North Macedonia, influencing its post-independence transition to a market economy.

Table 3. Comparative Analysis of Economic Legacies in Macedonia

Aspect	Ottoman Empire (14th – 1912)	Yugoslavia (1945 – 1991)
Land Control	State-owned land (*timar* system)	State-controlled land and industries
Taxation	Heavy taxation on peasants and merchants	Redistribution through state-led economy
Trade & Industry	State-regulated guilds and monopolies	State-owned enterprises and planned economy
Autonomy	Limited autonomy for local elites and landlords	Centralized, with partial worker self-management
Economic System	Feudal agrarian economy	Industrialized socialist economy

Source: Information and comments were compiled by the author.

The long-term economic legacies of these policies continue to shape contemporary Macedonia, with historical agrarian structures, industrial dependencies, and fiscal imbalances influencing post-socialist economic transitions. Future research should explore archival fiscal records, industrial production data, and oral histories to better understand the impact of state-economy relations on economic development.

CONCLUSION

The economic history of North Macedonia reflects a complex interplay of institutional legacies, structural transformations, and external dependencies. This chapter has examined the profound impact of two key historical periods—the Ottoman period and the Yugoslav socialist regime—on North Macedonia's economic trajectory, highlighting both continuities and ruptures in economic organization, fiscal policies, and trade networks.

Under Ottoman rule, Macedonia functioned as an agrarian economy within an imperial framework, with the timar and çiftlik systems shaping land tenure and production structures. Trade networks, facilitated by urban guilds and strategic market hubs such as Skopje and Bitola, linked the region to broader imperial and European economies. However, the region's dependence on subsistence farming and limited industrialization hindered economic diversification. Ottoman fiscal policies, characterized by indirect taxation and monetary instability, further constrained long-term economic growth.

The transition to Yugoslav socialism in the mid-20th century marked a radical shift toward industrialization and state-led economic planning. Yugoslavia's centralized economic model aimed to modernize Macedonia through large-scale industrial projects, infrastructure development, and collectivization of agriculture. Despite these efforts, Macedonia remained one of the less-developed republics within the federation, reliant on federal subsidies and external trade partnerships. The economic philosophy of self-management socialism provided a degree of autonomy in enterprise decision-making, yet inefficiencies in central planning and hyperinflation in the 1980s exposed the system's vulnerabilities.

A comparative analysis of these two historical periods reveals striking continuities in economic dependencies, fiscal challenges, and institutional frameworks. Both the Ottoman and Yugoslav periods featured strong state intervention in economic affairs, limited regional autonomy, and economic structures that prioritized integration into larger political entities. The long-term persistence of agrarian traditions, financial instability, and regional disparities underscores the structural economic constraints that have shaped North Macedonia's development.

Understanding these historical economic legacies is essential for assessing North Macedonia's current economic strategies and integration into global markets. The lessons from the Ottoman and Yugoslav periods highlight the importance of institutional reform, sustainable industrial policies, and balanced regional development in shaping the country's future economic trajectory. By critically engaging with these historical patterns, policymakers and scholars can gain deeper insights into the enduring economic challenges and opportunities facing North Macedonia today.

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