

lem. It can be solved, for example, by having a national bank provide a rediscount guarantee for such credits which are linked to “economically reasonable and necessary projects.” In this way, the recourse to the national bank is but a fraction of the expansion of credit needed for the infrastructure investments. The “stimulating effect of the primary credit expansion” has the effect of “rekindling the whole of production”; idle capacities are employed once more, production increases, and state tax revenue increases. Since the “extent and velocity of the expansion of production” will increase faster than the “extent and velocity of credit expansion,” the national bank financing has no inflationary effect.

The Lautenbach Plan was presented in September 1931 at a secret conference of the Friedrich List Society, in the presence of Reichsbank President Luther and 30 leading economics, politicians, and representatives of industry. (Former Reichsbank head Hjalmar Schacht, who later became Hitler’s Economics Minister, was not invited.) Had the plan been implemented, the resulting economic recovery would have deprived the National Socialists of any chance to rise to power.

### **What is a ‘Marshall Plan,’ actually?**

Perhaps the best-known example of an “economic miracle” in recent history, is the reemergence of the German economy following World War II. The positive connotation of the words “Marshall Plan” for world public opinion comes from its connection with this “miracle.” This leads to the natural idea that we could rebuild the regions devastated by war today, by doing what was done at that time, investing a few billions of dollars in the context of a new “Marshall Plan.” The old “Marshall Plan” therefore deserves a closer look. It had three positive effects:

The importation of strategically important raw materials from the United States, which the Marshall Plan made possible, was an important bridge to survival for the German economy in the immediate postwar years. The inclusion of both winners and losers of the war in the same aid program had by no means a negligible psychological effect on the German population’s morale. Moreover, the dollar credits were tied to the development of a western European economic order which, among other things, envisaged fixed exchange rates and, up to 1958, a monetary protective wall, effected through capital controls and limited convertibility of currencies.

But that was not the crucial ingredient for the “economic miracle.” The total volume of dollar credits in the case of Germany covered only a fraction of the damage which had been caused immediately following the war’s end by the misguided Morgenthau Plan to entirely dismantle Germany’s industrial capacities. Moreover, Germany by no means received the lion’s share of the Marshall Plan money; instead, Great Britain (\$3.2 billion), France (\$2.8 billion), the Benelux countries (\$1.5 billion), and Italy (\$1.5 billion) took most of the funds. Germany followed with \$1.4 billion, which was

granted over 1948-52. (Have you ever heard of an “economic miracle” in England after the war?)

Far more important than the immediate Marshall Plan money, was the mechanism chosen, particularly in Germany, to transform the repayment of the credits for commodities into new investments. That was the motivation for creating the Kreditanstalt für Wiederaufbau (KfW, or Credit Institution for Reconstruction) in 1948. Under this arrangement, German firms which had received dollar credits from the U.S. government, were permitted to pay these credits back through the KfW in Frankfurt. On the basis of this income, the KfW then provided new credit or investment aid to selected sectors of the German economy. Over the decades following the war, the annual volume of additional credit provided by the KfW has increased steadily to where it now stands, at about DM 40 billions. The focus was, and still is, on those areas of the economy which are also most crucial in the Balkans: public infrastructure, support for small and medium-sized firms, and promotion of housing construction. It made possible the construction of millions of new homes at record speed—and that success was possible under conditions where Germany had just taken in 1.5 million refugees from the East and, up to 1955, another 1.6 million late returning prisoners of war, who all rushed into the largely destroyed western part of Germany.

To state the point succinctly: The KfW is indeed a child of the Marshall Plan, but not a single U.S. dollar was necessary for it to carry out its function of generating credit. A one-time deposit of capital by the government would have led to the same effect. Every sovereign country has the freedom to create such a state development bank, on the model of the KfW, even without previous provision of credit in the context of a foreign “Marshall Plan.”

## **Destruction in Balkans greater than admitted**

by Elke Fimmen

At the current time, it is very difficult for the general public to obtain reliable information about the extent of destruction in Yugoslavia and in Kosovo. We have to rely on estimates, gathered together from reports from Belgrade, NATO reports on flights and bombing missions, and observations by experts on the region. But it is surely instructive for evaluating the dimension of the problem, when Austrian Finance Minister Edlinger, at the meeting of the European Union (EU) Finance Ministers on May 10, warned against allowing “an infrastructure wasteland in the Balkans.” It is to be expected that a more

precise picture of the situation will make its way into the public following the current visit of the UN humanitarian mission in Yugoslavia, than is possible under the temporary conditions of NATO war propaganda. An attempt will be made here to give an impression of the tasks which have to be tackled following, hopefully, a rapid end to the war.

### **Return of the refugees**

The greatest and most immediate problem is the situation of the refugees from Kosovo, as well as the task of making their return possible. According to NATO reports, it is estimated that 745,000 refugees are currently in Albania, Macedonia, and Bosnia-Herzegovina, and another 124,000 in EU countries. Some 700,000 people, according to estimates, are still in Kosovo, but they have been driven from their homes. The coordination of aid for the refugees has come under severe criticism. The organization Doctors Without Borders warns of "Rwanda-like conditions," if the weather deteriorates and the refugees in the overcrowded camps cannot be housed under minimal sanitary conditions. Financial aid for the refugees, according to United Nations reports, is also far from adequate. Macedonia was promised 23 million deutschmarks (roughly \$14 million) in mid-May for emergency aid for the refugees. France is supposed to pay almost that amount for this purpose to Albania and Macedonia. EU Monetary Commissioner de Silguy estimated on May 11 that there would be additional costs for humanitarian aid, depending on how long the war lasts (four to nine months), of \$240-780 million.

Whether or when the refugees can return to their homes depends upon how quickly the war is brought to an end. A precise evaluation of the conditions on site must be generated. The reports about villages which have been destroyed by Serbian military units vary between 300 to 400. There is, in addition, the damage in cities, caused by the battles between the Serbian military and units of the Kosovo Liberation Army (UCK), as well as by the NATO bombing. At least 300,000 housing units are needed in order for 1.6 million people to return to Kosovo. That includes the necessity for rebuilding or building anew the water and energy supply systems, as well as clearing land-mines, which would have to be begun immediately on a large scale, because the refugees cannot otherwise return.

The UN High Commission for Refugees demanded in a four-phase plan published on May 20, that infrastructure, "especially bridges and roads," be rebuilt, but also for "provisional" reconstruction, which is utterly unacceptable. It is also not sufficient to distribute seed for planting to the refugees, and plastic sheeting to cover windows and other household items, as the plan calls for.

The EU Commission currently estimates that DM 3.8-6.3 billion will be needed for the reconstruction of Kosovo over three years, which is obviously insufficient.

### **Destruction of Yugoslavia**

Although the estimates of the order of magnitude of the damage in Yugoslavia vary from \$20 billion (Western sources) to \$100 billion (reports from Belgrade), it is obvious that an enormous effort will be required to bring the country back to the level of an industrial country, which is indispensable because of its geographical situation. Croatian sources estimate that Yugoslavia would have to spend 7-10 years of its entire GNP to repair the damage done by NATO bombing.

The bombing damage to infrastructure is particularly dramatic, because this is the area which has to function most urgently once the war is ended. Again, according to Croatian sources, 80% of the rail connections in the country have been wrecked, 95% of the airports can no longer function, and 80% of the communications facilities (antennas, radio transmission towers, and so on) have been destroyed.

Five of eight of the bridges from Serbia over the Danube have been destroyed. The city of Novi Sad (300,000 inhabitants), which spans the Danube, now has no bridges left that connect the different parts of the city. The capital requirement for rebuilding a comparably large bridge in Germany, such as the bridge over the Rhine at Mainz, is about half a billion deutschmarks. The wreckage has to be cleared away, which is now lying in the water and blocking shipping. The international Danube Shipping Institute in Budapest estimates that it will take years before the Danube is navigable again. Danube shipping will lose 100 million tons of cargo annually. The freight is iron ore and grain, for the most part.

On the whole, there are an estimated 50 bridges destroyed in Serbia and Montenegro, and along with that the destruction of the most important roads and rail junctions. NATO paralyzed the most important highway in Yugoslavia in a bomb attack on May 18 on a bridge north of the industrial city of Nis (175,000 inhabitants). This so-called "Highway of Brotherhood and Unity" is the most important connection between Central and Southeast Europe (from Zagreb-Belgrade to Thessaloniki, as well as to Sofia and Istanbul). The rail connection from Belgrade to Bar in Montenegro has been severed because of the destruction of a bridge over the Lim River and the destruction of rail line; in addition, the Belgrade-Thessaloniki rail connection has been severed with the destruction of the bridge at Grdelica, to name just a few of the major junctions.

Energy-supply facilities have also been severely damaged: According to Croatian sources, only 10% of the gasoline supply remains intact as a result of the embargo and huge attacks on the refineries, especially in Novi Sad, and attacks on the fuel depots. Up to 80% of electricity production has been paralyzed. This is not necessarily permanent damage, but there are tremendous problems in obtaining spare parts and repairing the damage. Part of the damage was done by graphite bombs, which produce short-circuits. The graphite

dust has to be removed from the plants. (On May 4-5, NATO used graphite bombs for the first time, and caused an electricity blackout in all of Yugoslavia.) In Belgrade (approximately 2 million inhabitants), the main heating plant for the city, in Novi Belgrade, was destroyed.

It is difficult to estimate the destruction of industrial capacity. It is only certain that those cities in which industry is located, have been the main targets, such as Prizren, Nis, Novi Sad, Belgrade, Pancevo, Sremska, Mitrovica, and Leskovac. The heavy metals industry has been severely damaged, and the estimates we hear are in the range of 30% damage. The Yugoslav Information Ministry published a list of 36 factories on April 23, which had been attacked up to that time, among them chemical and pharmaceutical plants, electronics suppliers, and one machinery factory in Rakovica. The Belgrade Information Ministry reports that 500,000 people were left unemployed as of April 19 as a consequence of the destruction. The chairman of the Yugoslav Trade Union Federation estimates a loss of 100,000 jobs due to the war.

The main machinery producer in Yugoslavia, in Krusevac (north of Nis), was bombed. In Kragujevac, 32,000 jobs were destroyed by NATO attacks when the largest factory in the country, Zastava, was badly hit. In addition to the small Yugoslav "Yugo" car, this factory also produces trucks, agricultural equipment, as well as light weapons. During a UN delegation visit on May 20, the leader of the delegation, Viera de Mello, spoke of "an economic and social catastrophe." According to reports issued by the factory management, 124 people were wounded, 24 severely. The assistant foreman estimates the damage at more than \$1 million.

According to claims of the Belgrade leadership, hospitals and schools have also been hit and destroyed. In one report from the Information Ministry on April 23, sixteen hospitals and health facilities, as well as 190 schools and educational facilities, are listed as having been either partially or totally destroyed by bombs. The May 21 *Süddeutsche Zeitung* reported that at least three patients and one guard were killed in a bomb attack on a clinic in the southern section of Belgrade. The operating room, an intensive care unit, and the neurology department of the clinic were hit.

The situation in the agricultural area deserves special attention. The refugees from Kosovo were unable to do any spring planting. Many of the fields cannot be cultivated because of land-mines, and the agricultural machinery is gone. In other areas of Serbia and Montenegro, agriculture is also severely affected, which will become manifest in the fall at the latest, when the food scarcity makes itself felt in the largely rural country. Many thousands of hectares of farmland, rivers, lakes, and ground-water have been polluted as a result of the attacks on refineries, fuel depots, and factories, according to official reports from Belgrade.

The Federal Office for the Environment in Berlin has now warned in an internal memorandum of an "ecological catas-

trophe in Yugoslavia." The destruction of industrial plants has created a danger to the people in the region which will last well beyond the end of the war. "Since a rapid reaction to the damage was not possible because of the ongoing war, and neither time nor money is available to repair the damage, there is a danger that the damage will spread beyond Yugoslavia," according to the *Süddeutsche Zeitung*. The regional environmental authorities in the north Bulgarian city of Vidin announced on May 20 that an oil spill was sighted on the Danube for the 16th time since the beginning of the bombing on March 24. The slick was eight kilometers long and 400 meters wide, and it was moving downstream with the current toward the Bulgarian side of the river bank.

The charge has also been made (unconfirmed by *EIR*) that toxic radioactive aerosols were released when some facilities where hit by NATO attacks.

### Effects in southeastern Europe

The dramatic effects on the whole region must be considered, as already indicated, for shipping on the Danube.

Transit routes for the entire Balkan region have been disrupted, in Macedonia, Greece, and Bulgaria, and these countries, together with Romania and the Ukraine, transport their exports to the EU either by land routes or on the Danube.

The worst affected is Macedonia, because this country not only has to take care of the refugees, but is also economically ruined. The direct losses are running at \$100 million monthly. All of the large metallurgical and chemical factories are closed, since they are dependent on raw materials supplies from Yugoslavia, and they export 70% of their product in barter-business back to Yugoslavia. Imported leather and textile raw materials for the clothing and shoe industries also come through Yugoslavia to Macedonia.

Bulgaria is losing \$250 million per month due to the war, both as a result of losses to the economy and the loss of tourism. Romania's losses run at \$180 million per month.

Hungary is suffering from the closing of the Danube, as are Ukraine and Austria. Danube shipping is completely blocked.

Croatia just announced losses of \$1.6 billion in tourism, trade, and transportation. Greece is suffering losses in tourism, and is now feeling the impact on its transportation sector, while the stocks of Greek construction firms are being driven speculatively high on the basis of hopes for postwar contracts, which is leading to turmoil on the local financial markets.

The situation in Albania is devastating, because the country was miserably poor even before the waves of refugees came in. The situation in Bosnia-Herzegovina, which has also taken in refugees, is economically desolate, since economic reconstruction, under the control of the World Bank and International Monetary Fund since the 1995 Dayton Accords, has been stymied.