The IMF and the EU are bankrupt: Bosnia needs the Lautenbach Plan!

This statement was released by the Schiller Institute in Wiesbaden, Germany, on March 31.

The so-called "international community" has now openly declared the bankruptcy of its policy toward Bosnia-Hercegovina. At a conference on "Economic Infrastructure in Southeast Europe" on March 21-22 in Sarajevo, the representative of the High Commissioner for Civilian Affairs, Ralph Johnson, announced officially that Bosnia should not expect any more money and will have to rely "on its own resources." Johnson then demanded that the remaining state-owned firms be quickly privatized. People had to finally give up the "illusion" that there is any such thing as a "strategic firm," which could be exempted from the grip of privatization. The impetus for the economy has to come from small firms, and not from the state-owned firms, he said. Johnson conceded that he knows quite well that this will result in an increase in unemployment, but maintained that this cannot be avoided.

The real background of this brutal policy, is the global financial collapse, which means that there is no money for productive investment—even as liquidity is pumped into the speculative bubble. But no one wants to admit that fact publicly, lest everything go politically out of the control of the financier oligarchy.

Why should a country like Bosnia-Hercegovina have to continue to bow to the dictates of such bankrupt institutions as the International Monetary Fund (IMF) and the European Union (EU), which have nothing except destructive recipes to offer, nothing but empty slogans about "more democracy," and which have not provided a shred of assistance for economic reconstruction since the signing of the Dayton peace accord at the end of 1995?

Five years after Dayton

With nearly 70% unemployment in war-damaged Bosnia-Hercegovina, the economy is still virtually at a standstill. Many people who remained in the country during the war, or who returned afterwards, are leaving now, in hopes of making a living abroad. That is a result of the policy of the "international community":

- At the end of the war, the IMF declared that, for Bosnia-Hercegovina, repayment of 17% of the old Yugoslavian debts had priority over everything else. The urgent social expenditures which the war made necessary, were termed "inflationary," because they puffed up the fiscal budget. By the end of 1997, the foreign debt amounted to $4.1 billion, or 90% of Gross National Product.
- The IMF forbade the government from taking independent measures to revitalize the large state-owned firms, and put priority on small and very small firms in dispensing a few pennies of financial assistance—which naturally created hardly any new jobs.
- In the Dayton accord (Annex 4), control of monetary policy was taken out of the hands of the government, and a foreign-controlled currency board took over the function of a central bank.
- Only a fraction of the promised $5 billion in funds from the so-called international community actually went into reconstruction. The lion's share was pocketed by the international consulting firms of the IMF, World Bank, and the EU, as well as 200 aid organizations. The money was actually an immense pork-barrel for a parasitic bureaucracy, while the country itself sank deeper into poverty. Were an investigation made to determine what Bosnia-Hercegovina lost, it would show that there is still a large volume of financing that should be available, to which the country has a justified claim and which could be used productively.

The same game is being played at the Brussels Donor Conference of the "Stability Package for Southeast Europe." After months of delaying the conference, the EU and the World Bank now want to "promise" the ridiculous sum of 4.9 billion deutschemarks (about $2.5 billion) for Kosovo as well as the rest of the Balkans, when the war in Kosovo alone caused hundreds of billions of dollars in damage.

If Bosnia-Hercegovina is not to expect any more foreign assistance, and is now supposed to reply on its "own resources," then the logical consequence ought to be drawn from such a statement: The government has to take economic policy into its own hands, to be able to initiate productive credit-creation, on the model of the Lautenbach Plan of 1931 and the Kreditanstalt für Wiederaufbau (Bank for Reconstruction) in Germany after World War II.

In 1931, under the dictates of the "international community" of that time, Germany was in a similarly desperate situation, subject to the reparations demanded by the Versailles Treaty. There was no money available for national development, either domestically or on the foreign markets, and the political options were severely limited. At that time, an official of the Economic Ministry, Wilhelm Lautenbach, proposed the basic outlines of a credit policy to overcome the economic depression, and to mobilize the nation's unused labor power and productive capacities. He demanded financing, in which the national bank would grant a rediscount guarantee for bills of exchange, which were to be linked to "economically reasonable and necessary tasks." This primary credit expansion was not inflationary, Lautenbach argued, and would bring about a generalized recovery of production: Fallow capacity would be used; production would increase; the tax-income of the state would increase. Had this plan been put into effect, the National Socialists would have had no chance to take state power. At that time, the plan was sabotaged by Anglo-American financial circles (among them, the father of former U.S. President George Bush), and they supported the Nazis instead, with disastrous consequences.

The German postwar "economic miracle" is another example. At that time, Germany used the total of $1.4 billion, which it received between 1948 and 1952 from the United States in the context of the Marshall Plan, via the mechanism of the newly founded Kreditanstalt für Wiederaufbau (KfW), by circulating the dollar credits repaid by firms to the KfW. On the basis of this income, the KfW issued new credits or investments to selected areas of the German economy in the productive sector, infrastructure, and housing construction. In record time, millions of new homes were constructed in the largely destroyed western part of Germany, under conditions where there were up to 8 million refugees from the East, and, until 1955, another 1.6 million people emerging from prisoner of war camps.

It is important to emphasize, that a one-time grant of equity capital by a government to a state development bank, on the model of the KfW, leads to the same result, even without previous grants of foreign credit. The prerequisite for that is the sovereignty of the nation, which Bosnia-Hercegovina must now achieve, five years after Dayton.

The alternative: chaos and war

If the consequences are not drawn from the fact of the total bankruptcy of the world financial system, in which the perspective of a New Bretton Woods System offers the only chance for a reconstruction of the real economy, a collapse into a Dark Age, like that of the 13th century, is imminent. At that time, one-half of the European population died, as the leading financial houses of the Bardi and Peruzzi collapsed, and the Black Plague spread through Europe, destroying civilization for over 100 years. The situation in the Balkans, destroyed by war and the policy of shock therapy, is a harbinger of what awaits Europe as a whole, if current policies are continued.

Bosnia-Hercegovina must become a paradigm for a just new world economic order, in the context of a New Bretton Woods System, in which sovereign nations can decide on their own economic and political development.

Reconstructing the Balkans

A delegation from the Schiller Institute visited Sarajevo, Bosnia-Hercegovina on March 20-23, and briefed representatives of the government, parliamentarians, and intellectuals about the institute's mobilization for a New Bretton Woods System, to reorganize the bankrupt world monetary system. They also gave a presentation to students at the Economics Department of the university. There was great interest in the initiative of Italian parliamentarians in Rome and the European Parliament, for a New Bretton Woods (see article, p. 7).

There was special interest in the U.S. Presidential election campaign of Lyndon LaRouche, as well as in the violations of human rights monitored by international observers at the Michigan Democratic Party caucuses, where Democrats who supported LaRouche were prevented from voting for their candidate (see "International Team Observes Michigan Election Atrocities," *EIR,* March 24, 2000).

The immediate reason for the visit of the Schiller Institute was a conference of the Regional Investment Forum 2000 on economic infrastructure in southeastern Europe, where experts from Bosnia-Hercegovina discussed important projects for the development of infrastructure in the region with representatives of the Bosnian government, as proposed by a working group of the Stability Package for Economic Issues in Bari last October. Some of the projects are important for Europe as a whole, in the context of the Transeuropean Transportation Network. A memorandum on the basis for development of the nations of southeastern Europe was submitted to the conference. But a representative of the UN High Commissioner for Civilian Affairs, Ralph Johnson, pulled the rug out from under the feet of the conference participants, by stating that there would be no more international assistance forthcoming for Bosnia.

On Feb. 6, the U.S. Ambassador to Bulgaria, Richard Miles, had demanded that the Balkans concentrate on "economic transformation," by which he meant elimination of trade barriers, under the control of the European Union, the International Monetary Fund, and the U.S. State Department. He argued that the proposal for a new Marshall Plan for the Balkans, as proposed by the Schiller Institute, was a "misinterpretation of history." His approach guarantees a dramatic escalation of the social and political tensions in the region, which can explode into war at any time.—*Elke Fimmen*