

Croatian Voices Urge Economic Policy Change

by Faris Nanic

The end of May is “Mayday” for Croatia’s economic future. On one side, the government is expected to come out with its long-awaited economic strategy that was promised by the coalition parties before elections that brought the landslide victory of the anti-HDZ party forces. On the other side, more independent economists, analysts, and scientists are raising their voices against a suicidal economic policy.

The government policy resulted in 400,000 officially unemployed (a 15% increase in the last two years), 100,000 employed who receive no salary, 200,000 employed at a minimum salary (\$150-250 per month), and 100,000 emigrants, mainly university-educated people, who have left the country in the past decade. Croatia has 4.5 million inhabitants, out of whom around 1.1 million are eligible for employment. It also has more than 1 million retired people, who are expected to be sustained by the State Pension Fund, largely looted, which operates by borrowing from the National Bank. Industrial production has shrunk to 40% of its pre-war level. So-called privatization income (a euphemism for selling what the previous generations created) will drastically decrease this year, because there is nothing left to sell. This will further increase unemployment.

An Alternative Economic Strategy

At the end of May, the president of the Scientific Committee for Economic Research of the Croatian Academy of Sciences, Prof. Jakov Sirotkovic, announced the Academy’s “parallel” economic strategy. This strategy will most likely serve as a counterweight to the government proposals. The Academy produced a brochure that firmly opposes the government’s chosen path as the way out of the crisis the country is in. Professor Sirotkovic claims that he has no illusion that the proponents of the government economic policy will consider the very sharp critiques and suggestions his committee has submitted. Namely, the committee says the government has made no significant changes in its approach toward development and current economic policy, compared to the previous authorities.

Sirotkovic thinks that the government made a bad choice in engaging the same group of “experts” from the economic institutes that had authored the economic strategy for the previous government, a strategy that was proven to be wrong. He characterizes that strategy as an extension of the three-year fiscal projections that were made by the Finance Ministry

to necessitate the latest, obviously disastrous agreement with the International Monetary Fund (IMF). This, says Professor Sirotkovic, is a contradictory document, because even those well-positioned goals built into the IMF agreement cannot be reached by the measures proposed.

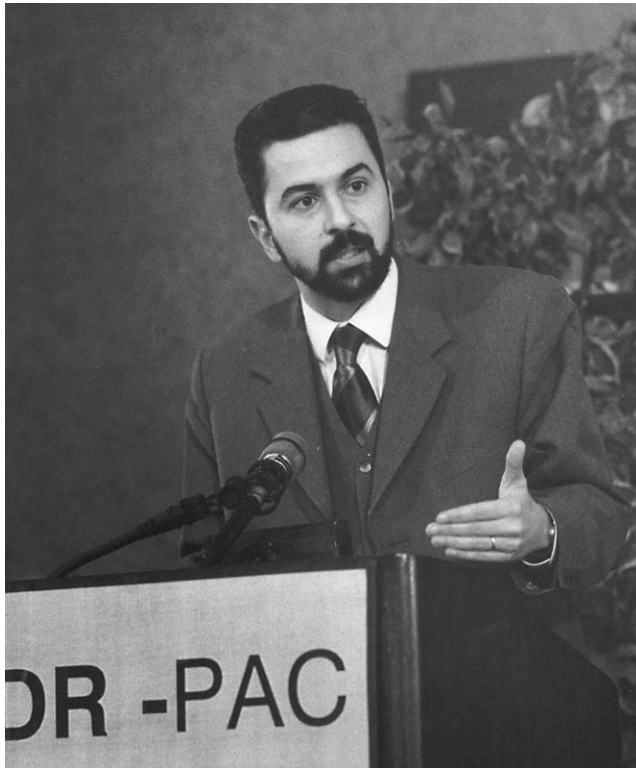
According to Sirotkovic, the government’s current economic policy is a result of compromise and ignorance. This is why the government relies upon “unfounded” analyses, rejecting scientific aid. He also thinks that some sane economists, such as Prof. Stjepan Zdunic, Presidential adviser for economic affairs, and Prof. Zvonimir Baletic, who cooperates with the government, have only marginal influence. Some ministers, responsible for overall economic policy, strongly, and sometimes viciously reject all proposals coming from Zdunic, reflecting a deeper gap between the President of Croatia, Stipe Mesic, and the rest of the government, in the conduct of economic policy.

New ‘Shadow Government’: International Bankers

The economic commentator of the opposition *Novi List*, Ivo Jakovljevic, notes that unemployment doubled under the past regime, and concurrently, the majority of the banking system was turned over to foreigners after almost 50% of its debts were assumed by the state budget. He also thinks that Prime Minister Ivica Racan vaguely remembers the still very vivid strategy of the HDZ party from the second half of 1990, in which 87% of the banking system was sold off, mainly to foreigners. That policy is being followed by this government, in terms of selling everything possible, yet Racan still thinks he has enough power to effect a recovery.

Selling off all important assets (banks, insurance companies, trading firms, industry, media, tourism firms), and then putting forth new national development concepts that would guarantee a shift to full employment by the end of this year—while at the same time having a vast amount of political, economic, social, trade, and even border problems—looks like a policy of selling your own house and then fantasizing about how to decorate it. Therefore, Jakovljevic says, any question addressed to the Prime Minister is actually being put to the new real masters in Croatia—foreign capitalists and bankers, i.e., the real “shadow government.”

By taking over the majority of the Croatian banking system, this “shadow government” autonomously directs banking and overall Croatian development. They directly fix interest rates, approve credit, and influence new employment (so far, through financing auto imports and consumption, mainly from their respective countries). From now on, they will indirectly influence the tempo of approaching European Union (EU) or Balkan integration, and, finally, election results and the government policy itself. While the government will deal with fulfillment of international financial and political obligations, “environmentalism,” social explosions, and its own survival, the shadow government will fully realize its own (not Croatia’s) development strategy, or the development strategy



The author is a civil engineer and journalist in Zagreb, Croatia. The article's kicker explains: "After 11 long years of unanimity in disastrous Croatian economic policy and the silence of certain qualified scientists, three different experts have come out crying for radical change."

of their companies in the Croatian and Balkan markets.

Jakovljevic asks members of the former and current regimes: Why has Croatia, for almost nothing, sold out almost the entire banking system to foreigners?

Croatia in the Twilight Zone: Capital Insolvency

Another economic expert, Prof. Slavko Kulic, states that foreign debt, equity, and interest have become larger than the capital value of the Croatian economy. Reviewing Croatian history, he finds that the economy has always been owned by foreign masters, as a consequence of "aid psychology," i.e., rentier economy or rentier policy of the people, or their leaders, who have always cried for foreign assistance. After the dissolution of Yugoslavia, Croatia encountered the EU and the Stability Pact as new masters, with a concomitant limitation of freedom and sovereignty, as an emergency path toward the aim of integration as such.

Croatia has always been subject to a certain slave-like, rather than productive orientation, says Professor Kulic. Abandoning production and the technology orientation of the society, bringing it into the concept-less state with free-trade ideology, leaving the market to foreigners, selling out socially important banks to Italian, Austrian, and German speculators,

giving up citizens' savings deposits together with banks sold off cheaply (about \$5 billion worth), selling off the formerly communist, nationalized property, i.e., the public-sector companies, complicates the reality in society as a whole. Croatia faces \$24 billion in foreign debt, and there is no cultural or material production. There is no export of domestic product, because there is no domestic production. How can Croatia pay its vast debt?

It is known that an indebted person or an indebted nation has no right to discuss freedom. Despite warnings by some sane scientists, the political arrogance of the "leaders" has never been as open as it is now. The people of this region seem to be captured by the mind-set of violence, the concept of violence, the economy of violence, that educates them to be slave-oriented. This is clearly seen in the political leaders who fully obey foreign power centers. Life on credit of the individual and society is held in obedience, in permanent shortage and permanent crisis, at decreasing levels.

Croatia is in the twilight zone, claims Kulic, the zone of capital insolvency, because the foreign debt has become larger than the market capital value of the so-called Croatian economy, an economy that is less and less owned by Croatian citizens as participants in civilization. In 1993, the estimated value of the Croatian economy's capital was roughly \$33 billion, and by 1998 it had plunged to \$20 billion, according to the Croatian Economic Institute, bringing its market value below the value of the foreign debt (\$24 billion).

Kulic concludes that Croatia cannot remain in a slave orientation. But, to change this situation, requires that Croats resist the "aid psychology," and rentier economy and policy, with the full backing of all the political parties. This means choosing a development concept on our territory that is a productive one, to meet the world as it is. Instead of a concept of ruling this region, we need a concept for developing life in this region.

Who Told You So, Long Ago?

Although these reflections by prominent Croatian economists demonstrate a certain paradigm-shift, and are encouraging for the small number of Croatian patriots who have almost lost hope, they are still voices crying in the wilderness. The government, so firmly addicted to the free-trade dogma, and prepared to settle accounts with trade unions by further restricting labor protections and introducing more austerity measures, as envisaged by the treaty with IMF, will not produce anything but additional chaos and its own dissolution. That is when the ultra-rightists jump in and take over.

Lyndon LaRouche has been warning Croats what would eventually happen to them if they stuck to false axioms. The hope is, that as opposition to IMF policies grows, an impetus will be created toward a new patriotic movement, inspired by LaRouche's ideas and his New Bretton Woods proposal, to save the nation from a new era of masters and "aid psychology," based on a rentier economy.