

# *After the Rain*

*How the West  
Lost the East*



Sam Vaknin

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*Lidija Rangelovska*  
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## INTRODUCTION

This is a series of articles written and published in 1996-2000 in Macedonia, in Russia, in Egypt and in the Czech Republic.

How the West lost the East. The economics, the politics, the geopolitics, the conspiracies, the corruption, the old and the new, the plough and the internet - it is all here, in prose, as provocative and vitriolic and loving and longing as I could make it.

From "The Mind of Darkness":

*"The Balkans' - I say - 'is the unconscious of the world'. People stop to digest this metaphor and then they nod enthusiastically. It is here that the repressed memories of history, its traumas and fears and images reside. It is here that the psychodynamics of humanity - the tectonic clash between Rome and Byzantium, West and East, Judeo-Christianity and Islam - is still easily discernible. We are seated at a New Year's dining table, loaded with a roasted pig and exotic salads.*

*I, the Jew, only half foreign to this cradle of Slavonics. Four Serbs, five Macedonians. It is in the Balkans that all ethnic distinctions fail and it is here that they prevail anachronistically and atavistically. Contradiction and change the only two fixtures of this tormented region.*

*The women of the Balkan - buried under provocative mask-like make up, retro hairstyles and too narrow dresses. The men, clad in sepia colours, old fashioned suits and turn of the century moustaches. In the background there is the crying game that is Balkanian music: liturgy and folk and elegy combined. The smells are heavy with musk-ular perfumes. It is like time travel. It is like revisiting one's childhood."*

How were the articles and essays contained herein - many of them translated and published in local languages - received by people everywhere?

My readers from the Balkans reacted to these essays with an admixture of rage and indignation. They erected defensive barricades of self-aggrandizement and of my devaluation. And they let their ingrained paranoia run rampant (Jewish conspiracies, Western spies, world plots). I asked a resident of this tortured region to write the foreword to this book. People from other parts, from Central and Eastern Europe, were more argumentative and contemplating, though much less passionate. And Westerners - especially those with interest in these regions of the world - reacted with great, cathartic enthusiasm.

In reading this book, I wish upon you the joy and the revulsion, the dark fascination of this region and its surrealist dreams and nightmares. This is what I experience daily here and it is my hope that I succeeded to convey the siren's song, the honeyed trap, the lure and the allure of this tortured corner of the earth.

*Dr. Sam Vaknin*

Skopje, February 2000

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# *After the Rain*

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The PEOPLE

## The Author of this Article is a Racist

Or, so say many of the readers, who react vehemently - not to say minaciously - to my articles. They insist that I demonise, chastise, disparage, deride and hold in contempt groups of people simply and solely because they are born in a given geographical area or are of a given genetic stock. Few stop sufficiently long to notice that the above two accusations contravene each other. A territory as vast as CEE cannot and is not inhabited by one "race". It is an historical cocktail of colours and origins and languages and bloodlines. Disregarding the pan-Slavic myth for a minute, a racist would find the CEE a very discouraging neighbourhood.

Am I a racist? If this is taken to mean "do I believe in the inherent inferiority or malevolence or impurity of any group of people (however arbitrarily defined or capriciously delimited) just because of their common origin or habitation" - then of course I am not. I am not an adherent of genetic predetermination and I think that there is very little point in discussing fictitious entities such as "pure races". That people are what they are made out to be by their up-bringing, society, and history and by the reactions of other humans to them - is what I subscribe to.

Yet I do believe in the temporary inferiority, malevolence and impurity of groups of people who experienced and were subjected to prolonged corrupting and pathologising influences. Historical processes exact an exorbitant toll. Ideologies, indoctrination, totalitarianism, authoritarianism, command economies, statism, militarism, malignant nationalism, occupation - all carry a hefty price tag. And the currency is the mind of the people: their mental health, their socialization processes and, ultimately, the social fabric. Beneath a thin veneer of kultur - the masses were savaged,

the individual was crushed into a moral pulp. I do believe in mass pathology: mass hysteria, mass personality disorders, mass psychoses. I do believe in common depravity, all-pervasive venality and inescapable subornation of whole societies and of each of the individuals who comprise them. I do believe in the osmosis of evil, in the diffusion of villainy, in the corruption of the soul. In short: I do believe in terminally sick societies, whose prospects of recovery are nil. The only hope lies in their demise. Not in the abstract sense of the word - but in the actual death and decomposition of each and every individual until the whole "generation of the desert" is done with and a new, less contaminated one, emerges to take its place.

This is why I believe that the future of Africa, the Middle East and the countries of the CEE and NIS is, for the time being, behind them. Their horizon is dim and empty. They are looking forward to the past. They are the zombies of the international arena, the walking dead and it is death that they multiply. Their growth is stunted, their speech is stifled, their leaders a vicious lot, the states that they inhabit are dens of barbarous criminality and lawlessness. Their institutions are a travesty, their parties nests of avarice and vile. Their media prostituted and defiled. The farce of elections and the newspeak of democracy and human rights and freemarketry are props to hide the vast wilderness of moral bankruptcy. These are Potemkin states run by Chicago mobs. Instruments of extortion and coercion no different to their predecessors - only they provide less security, both physical and economic. They know no different. They think no different. They swear by their malaise and by their malaise they shall die.

And die they shall. The signs are auspicious. Biology, the West and international financial institutions all conspire to retire the beast. New blood, new ideas, new hopes and aspirations are in evidence. Still overwhelmed by the abrupt and cruel exposure of their elders, still taken aback by the enormity of the project of rehabilitating the very psyche of their people, still torn between illegal self enrichment and service to their fellow citizens - but there they are, the young ones. The battle is on. The consensus of the baksheesh and the political assassination is replaced, ever so gradually, by the

dissension of the market place. Wars are fought with spreadsheets, experience imported from afar, new knowledge craved, corruption decried. It is a refreshing, gargantuan, change. And it will consume yet one more generation. But it has started and it is irreversible. And it is in the eyes of the youth, a flickering flame, so ephemeral, so vulnerable and yet, so irresistible. This flame is called the future.

*(Article written on January 15, 2000 and published January 31, 2000  
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## The Caveman and the Alien

*"Life' must be curious, alert, erudite and moral, but it must achieve this without being holier-than-thou, a cynic, a know-it-all or a Peeping Tom."*

(Edward K. Thompson, managing editor of "Life", 1949-1961)

When Chancellor Kohl's party and Edith Cresson are suspected of gross corruption - these are labelled "aberrations" in an otherwise honest West. When NASA in collaboration with its UK counterpart blow a 130 million US dollars spacecraft to smithereens having confused the metric system for its pound/feet archaic predecessor - people nod their head in disapproval: "accidents happen". When President Clinton appoints his wife to suggest an overhaul of the multi-hundred billion dollars US health system - no one thinks it odd. And when the (talented) son of the police investigated, rumoured to be hyper-corrupt Minister of Interior Affairs of Israel becomes a Minister himself, no one bats an eyelash. Yet, when identical events happen in the decrepit countries of Eastern, Central, or Southern Europe - they are subjected to heaps of excoriating scorn, to vitriolic diatribes, to condescending preaching, or to sanctions. It is, indeed, a double standard, a hypocrisy and a travesty the magnitude of which is rarely to be encountered in the annals of human pretensions to morality.

The West has grossly and thoroughly violated Thompson's edict. In its oft-interrupted intercourse with these forsaken regions of the globe, it has acted, alternately, as a Peeping Tom, a cynic and a know it all. It has invariably behaved as if it were holier-than-thou. In an unmitigated and fantastic succession of blunders, miscalculations, vain promises, unkept threats and unkempt

diplomats - it has driven Europe to the verge of war and the region it "adopted" to the verge of economic and social upheaval.

Enamoured with the new ideology of free marketry cum democracy, the West first assumed the role of the omniscient. It designed ingenious models, devised foolproof laws, imposed fail-safe institutions and strongly "recommended" measures. Its representatives, the tribunes of the West, ruled the plebeian East with determination rarely equalled by skill or knowledge. Velvet hands couched in iron gloves, ignorance disguised by economic newspeak, geostrategic interests masquerading as forms of government characterized their dealings with the natives. Preaching and beseeching from ever-higher pulpits, they poured opprobrium and sweet delusions on the eagerly deluded, naive, bewildered masses. The deceit was evident to the indigenous cynics - but it was the failure that dissuaded them and all else. The West lost Eastern and Southeast Europe not when it lied egregiously, not when it pretended to know for sure when it surely did not know, not when it manipulated and coaxed and coerced - but when it failed. To the peoples of these regions, the king was fully dressed. It was not a little child but an enormous debacle that exposed his nudity. In its presumptuousness and pretentiousness, feigned surety and vain clichés, imported models and exported cheap raw materials - the West succeeded to demolish beyond reconstruction whole economies, to ravage communities, to bring ruination upon the centuries-old social fabric, woven diligently by generations. It brought crime and drugs and mayhem but gave very little in return, only a horizon beclouded and thundering with eloquence. As a result, while tottering regional governments still pay lip service to the Euro-Atlantic structures, the masses are enraged and restless and rebellious and baleful and anti-Western to the core. They are not likely to acquiesce much longer - not with the West's neo-colonialism but with its incompetence and inaptitude, with the nonchalant experimentation that it imposed upon them and with the abyss between its proclamations and its performance.

In all this time, the envoys of the West - its mediocre politicians, its insatiably ruthless media, its obese tourists and its armchair

economists - continued to play the role of God, wreaking greater havoc than even the original. While knowing it all in advance (in breach of every tradition scientific), they also developed a kind of world weary, unshaven cynicism interlaced with fascination at the depths plumbed by the local's immorality and amorality. The jet-set Peeping Toms resided in five star hotels (or luxurious apartments) overlooking the communist shantytowns, drove utility vehicles to the shabby offices of the native bureaucrats and dined in \$100 per meal restaurants ("it's so cheap here"). In between sushi and sake they bemoaned and grieved over corruption and nepotism and cronyism ("I simply love their ethnic food, but they are so..."). They mourned the autochthonal inability to act decisively, to cut red tape, to manufacture quality, to open to the world, to be less xenophobic (while casting a disdainful glance at the sweaty waiter). To them it looked like an ancient natural phenomenon, a force of nature, an inevitability and hence their cynicism. Mostly provincial people with horizons limited by consumption and by wealth, they adopted cynicism as shorthand for cosmopolitanism. They erroneously believed it lent them an air of ruggedness and rich experience and the virile aroma of decadent erudition. Yet all it did is make them obnoxious and more repellent to the residents than they already were.

Ever the preachers, the West - both Europeans and Americans - upheld themselves as role models of virtue to be emulated, as points of reference, almost inhuman or superhuman in their taming of the vices, avarice up front. Yet the disorder in their own homes was broadcast live, day in and day out, into the cubicles inhabited by the very people they sought to so transform. And they conspired and collaborated in all manner of corruption and crime and scam and rigged elections in all the countries they put the gospel to. In trying to put an end to history, they seem to have provoked another round of it - more vicious, more enduring, more traumatic than before. That the West will pay the price for its mistakes I have no doubt. For isn't it a part and parcel of their teaching that everything has a price and that there is always a time of reckoning?

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## **Is Transition Possible?**

### **Can Socialist Professors of Economics Teach Capitalism?**

Lest you hold your breath to the end of this article - the answers to both questions in the title are no and no. Capitalism cannot be "learned" or "imported" or "emulated" or "simulated". Capitalism (or, rather, liberalism) is not only a theoretical construct. It is not only a body of knowledge. It is a philosophy, an ideology, a way of life, a mentality and a personality.

This is why professors of economics who studied under Socialism can never teach Capitalism in the truest sense of the word. No matter how intelligent and knowledgeable (and a minority of them are) - they can never convey the experience, the practice, the instincts and reflexes, the emotional hues and intellectual pugilistics that real, full scale, full-blooded Capitalism entails. They are intellectually and emotionally castrated by their socialist past of close complicity with inefficiency, corruption and pathological economic thinking.

This is why workers and managers inherited from the socialist-communist period can never function properly in a Capitalist ambience. Both were trained at civil disobedience through looting their own state and factories. Both grew accustomed to state handouts and bribes disguised as entitlements were suspicious and envious at their own elites (especially their politicians and crony professors), victims to suppressed rage and open, helpless and degrading dependence. Such workers and managers - no matter how well intentioned and well qualified or skilled - are likely to sabotage the very efforts whose livelihood depends on.

When the transition period of post-communist economies started, academics, journalists and politicians in the West talked about the "pent up energies" of the masses, now to be released through the twin processes of privatisation and democratisation. This metaphor of humans as capitalistically charged batteries waiting to unleash their stored energy upon their lands - was realistic enough. People were, indeed, charged: with pathological envy, with rage, with sadism, with pusillanimity, with urges to sabotage, to steal, and to pilfer. A tsunami of destruction, a tidal wave of misappropriation, an orgy of crime and corruption and nepotism and cronyism swept across the unfortunate territories of Central and Eastern Europe (CEE). Transition was perceived by the many either as a new venue for avenging the past and for visiting the wrath of the masses upon the heads of the elites - or as another, accelerated, mode of stripping the state naked of all its assets. Finally, the latter propensity prevailed. The old elites used the cover of transition to enrich themselves and their cronies, this time "transparently" and "legally". The result was a repulsive malignant metastasis of capitalism, devoid of the liberal ideals or practices, denuded of ethics, floating in a space free of functioning, trusted institutions.

While the masses and their elites in CEE were busy scavenging, the West engaged in impotent debate between a school of "shock therapists" and a school of "institution builders". The former believed that appearances will create reality and that reality will alter consciousness (sounds like Marxism to me). Rapid privatisation will generate a class of instant capitalists who, in turn, will usher in an era of real, multi-dimensional liberalism. The latter believed that the good wine of Capitalism could be poured only to the functioning receptacles of liberalism. They advocated much longer transition periods in which privatisation will come only after the proper institutions were erected. Both indulged in a form of central planning. IMF-ism replaced Communism. The international financial institutions and their hordes of well-paid, well-accommodated experts - replaced the Central Committee of the party. Washington replaced Moscow. It was all very familiar and cosy.

Ever the adapters, the former communist elites converted to ardent capitalism. With the fervour with which they recited Marxist slogans in their past - they chanted capitalist sobriquets in the present. It was catechism, uttered soullessly, in an alien language, in the marble cathedrals of capitalism in London and Washington. There was commitment or conviction behind it and it was tainted by organized crime and all-pervasive corruption. The West was the new regime to be suckered and looted and pillaged and drained. The deal was simple: mumble the mantras of the West, establish Potemkin institutions, keep peace and order in your corner of the world, give the West strategic access to your territory. In return the West will turn a blind eye to the worst excesses and to worse than excesses. This was the deal struck in Russia with the "reformists", in Yugoslavia with Milosevic, the "peacemaker", in the Czech Republic with Klaus the "economic magician" of Central Europe. It was communism all over: a superpower buying influence and colluding with corrupt elites to rob their own nations blind.

It could have been different.

Post-war Japan and Germany are two examples of the right kind of reconstruction and reforms. Democracy took real root in these two former military regimes. Economic prosperity was long lived because democracy took hold. And the ever tenuous, ever important trust between the citizens and their rulers and among themselves was thus enhanced.

Trust is really the crux of the matter. Economy is called the dismal science because it pretends to be one, disguising its uncertainties and shifting fashions with mathematical formulae. Economy describes the aggregate behaviour of humans and, in this restricted sense, it is a branch of psychology. People operate within a marketplace and attach values to their goods and services and to their inputs (work, capital, natural endowments) through the price mechanism. This elaborate construct, however, depends greatly on trust. If people were not to trust each other and/or the economic framework (within which they interact) - economic activities would have gradually ground to a halt. A clear inverse relationship exists

between the general trust level and the level of economic activity.

There are four major types of trust:

- a. ***Trust related to Intent*** - the market players assume that other players are (generally) rational, that they have intentions, that these intentions conform to the maximization of benefits and that people are likely to act on their intentions;
- b. ***Trust related to Liquidity*** - the market players assume that other players possess or have access, or will possess, or will have access to the liquid means needed in order to materialize their intentions and that - barring force majeure - this liquidity is the driving force behind the formation of these intentions. People in possession of liquidity wish to maximize the returns on their money and are driven to economically transact;
- c. ***Trust related to knowledge and ability*** - the market players assume that other players possess or have access to, or will possess, or will have access to the know-how, technology and intellectual property and wherewithal necessary to materialize their intention (and, by implication, the transactions that they enter into). Another assumption is that all the players are "enabled": physically, mentally, legally and financially available and capable to perform their parts as agreed between the players in each and every particular transaction. A hidden assumption is that the players evaluate themselves properly: that they know their strengths and weaknesses, that they have a balanced picture of themselves and realistic set of expectations, self-esteem and self-confidence to support that worldview (including a matching track record). Some allowance is made for "game theory" tactics: exaggeration, disinformation, even outright deception - but this allowance should not overshadow the merits of the transaction and its inherent sincerity;
- d. ***Trust related to the Economic horizon and context*** - the market players assume that the market will continue to exist as an inert system, unhindered by external factors (governments, geopolitics, global crises, changes in accounting policies, hyperinflation, new taxation - anything that could deflect the

trajectory of the market). They, therefore, have an "investment or economic horizon" to look forward to and upon which they can base their decisions. They also have cultural, legal, technological and political contexts within which to operate. The underlying assumptions of stability are very much akin to the idealized models that scientists study in the accurate sciences (indeed, in economy as well).

When one or more of these basic building blocks of trust is fractured that the whole edifice of the market crumbles. Fragmentation ensues, more social and psychological than economic in nature. This is very typical of poor countries with great social and economic polarization. It is also very typical of countries "in transition" (a polite way to describe a state of total shock and confusion). People adopt several reaction patterns to the breakdown in trust:

- a. **Avoidance and isolation** - they avoid contact with other people and adopt reclusive behaviour. The number of voluntary interactions decreases sharply;
- b. **Corruption** - People prefer shortcuts to economic benefits because of the collapse of the horizon trust (=they see no long term future and even doubt the very continued existence of the system);
- c. **Crime** - Criminal activity increases;
- d. **Fantastic and Grandiose delusions** to compensate for a growing sense of uncertainty and fear and for a complex of inferiority. This nagging feeling of inferiority is the result of the internalisation of the image of the people in their own eyes and in the eyes of others. This is a self-reinforcing mechanism (vicious circle). The results are under-confidence and a handicapped sense of self-esteem. The latter undulates and fluctuates from overvaluation of one's self and others to devaluation of both;
- e. **Hypermobility** - People are not loyal to the economic cells within which they function. They switch a lot of jobs, for instance, or ignore contracts that they made. The concepts of exclusivity, the sanctity of promises, loyalty, future, and a

- career path - all get eroded. As a result, there is no investment in the future (in the acquisition of skills or in long term investments, to give but two examples);
- f. **Cognitive Dissonance** - The collapse of the social and economic systems adversely affects the individual. One of the classic defence mechanisms is the cognitive dissonance. The person involved tells himself that he really chose and wanted his way of life, his decrepit environment, his low standard of living, etc. ("We are poor because we chose not to be like the inhuman West");
  - g. **The Pathological Envy** - The Cognitive Dissonance is often coupled with a pathological envy (as opposed to benign jealousy). This is a destructive type of envy, which seeks to deprive others of their successes and possessions. It is very typical of societies with a grossly unequal distribution of wealth;
  - h. **The Mentality (or the Historical) Defences** - these are defence mechanisms, which make use of an imagined mentality problem ("we are like that, we have been like this for ages now, nothing to do, we are deformed") - or build upon some historical pattern, or invented pattern ("we have been enslaved and submissive for five centuries - what can you expect");
  - i. **The Passive-Aggressive reaction:** occurs mainly when the market players have no access to more legitimate and aggressive venues of reacting to their predicament or when they are predisposed to suppressing of aggression (or when they elect to not express it). The passive-aggressive reactions are "sabotage"-type reactions: slowing down of the work, "working by the book", absenteeism, stealing from the workplace, fostering and maintaining bureaucratic procedures and so on;
  - j. **The inability to postpone satisfaction** - The players regress to a child-like state, demanding immediate satisfaction, unable to postpone it and getting frustrated, aggressive and deceiving if they are required to do so by circumstances. They engage in short term activities, some criminal, some dubious, some legitimate: trading and speculation, gambling, short-termism.

The results are, usually, catastrophic: A reduction in economic activity, in the number of interactions and in the field of economic potentials (the product of all possible economic transactions). An erosion of the human capital, its skills and availability. Brain drain - skilled people desert, en masse, the fragmented economic system and move to more sustainable ones. Resort to illegal and to extra-legal activities Social and economic polarization. Interethnic tensions and tensions between the very rich and the very poor tend to erupt and to explode.

And this is where most countries in transition are at right now. To a large extent, it is the fault of their elites. Providing orientation and guidance is supposed to be their function and why society invests in them. But the elites in all countries in transition - tainted by long years of complicity in the unseemly and the criminal - never exerted moral or intellectual authority over their people. At the risk of sounding narcissistic, allow me to quote myself (from "The Poets and the Eclipse"). Replace "intellectuals of the Balkan" with "intellectuals of the countries in transition":

*(Article written on October 31, 1999 and published November 15, 1999  
in "Central Europe Review" volume 1, issue 21)*

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## The Poets and the Eclipse

Poets in Somalia hold an inordinate sway over the indigenous population. They sing the praises of war with the same alacrity and vehemence that they invest in glorifying peace. And the population listens and follows these dark skinned pied pipers. Lately, they have been extolling peace and peace prevails in Somaliland and the other state-like enclaves in this tortured shadow of a country.

In the evening we celebrate a birthday party under deciduous trees, in floodlit darkness, somewhere in the Balkans. The voices of industrious crickets, of late chirping birds, of the cesma - the fabled Balkan water fountain - all intermingle to produce an auditory magic. A famous satirist and poet catapults slurred, vitriolic diatribes at a guest from the West that I brought with me. His words ring inebriatedly authentic. He need not learn the language, he exclaims, of people without a spirit and without a mind. He is referring to English. His country - he triumphantly shrills - is the best, an island of civilization among the barbarians at the gates. He enumerates his neighbours and proceeds to describe in vivid, gut wrenching detail what he would do to them all, given the opportunity. "The rotten core of our national apple" - a melancholy contribution from a professor of psychiatry.

Another day. As the moon bit into the otherwise scorching sun - the streets emptied. Shops closed, the traffic halted, workers remained cooped up in steamy offices. Why all this - I asked my friend. He is a leading journalist, an author, an editor and a media personality. He looked at me warily and proceeded to expound upon the health risks entailed in being exposed to the eclipse. He was serious as was evidenced by his subsequent descent into his basement and by the resounding bolting of the anti-nuclear double



plated armoured door. He offered me to join him and was appalled to hear that I had every intention of watching the eclipse - and from the street.

The intellectuals of the Balkans - a curse, not in disguise, a nefarious presence, ominous, erratic and corrupt. Sometimes, at the nucleus of all conflict and mayhem - at other times (of ethnic cleansing or suppression of the media) conspicuously absent. Zeligs of umpteen disguises and ever changing, shimmering loyalties.

They exert no moderating, countervailing influence - on the contrary, they radicalise, dramatize, poison and incite. Intellectuals are prominent among all the nationalist parties in the Balkans - and rare among the scant centre parties that have recently sprung out of the ashes of communism.

They do not disseminate the little, outdated knowledge that they do possess. Rather they keep it as a guild would, unto themselves, jealously. In the vanity typical of the insecure, they abnegate all foreign knowledge. They rarely know a second language sufficiently to read it. They promote their brand of degreed ignorance with religious zeal and punish all transgressors with fierceness and ruthlessness. They are the main barriers to technology transfers and knowledge enhancement in this wretched region. Their instincts of self-preservation go against the best interests of their people. Unable to educate and teach - they prostitute their services, selling degrees or corrupting themselves in politics. They make up a big part of the post communist nomenclature as they have a big part of the communist one. The result is economics students who never heard of Milton Friedman or Kenneth Arrow and students of medicine who offer sex or money or both to their professors in order to graduate.

Thus, instead of advocating and promoting freedom and liberalization - they concentrate on the mechanisms of control, on manipulating the worn levers of power. They are the dishonest brokers of corrupted politicians and their businessmen cronies. They are heavily involved - oft times the initiators - of suppression and repression, especially of the mind and of the spirit. The black crows of nationalism perched upon their beleaguered ivory towers.

They could have chosen differently. In 1989, the Balkans had a chance the likes of which it never had before. In Yugoslavia, the government of the reformist (though half hearted) Ante Markovic. Elsewhere, Communism was gasping for a last breath and the slaughter of the beast was at hand. The intellectuals of Central Europe, of the Baltic States - even of Russia - chose to interpret these events to their people, to encourage freedom and growth, to posit goals and to motivate. The intellectuals of the Balkans failed miserably. Terrified by the sights and sounds of their threatened territory - they succumbed to obscurantism, resorted to the nostalgic, the abstract and the fantastic, rather than to the pragmatic. This choice is evident even in their speech. Marred by centuries of cruel outside domination - it is all but meaningless. No one can understand what a Balkanian has to say. Both syntax and grammar are tortured into incomprehensibility. Evasion dominates, a profusion of obscuring verbal veils, twists and turns hiding a vacuous deposition.

The Balkan intellectuals chose narcissistic self-absorption and navel gazing over "other-orientation". Instead of seeking integration (as distinct from assimilation) - they preach and practice isolation. They aim to differentiate themselves not in a pluralistic, benign manner - but in vicious, raging defiance of "mondialism" (a Serbian propaganda term). To define themselves AGAINST all others - rather than to compare and learn from the comparison. Their love affair with a (mostly concocted) past, their future-phobia, and the ensuing culture shock - all follow naturally from the premises of their disconsolate uniqueness. Balkan intellectuals are all paranoids. Scratch the surface, the thin, bow tied, veneer of "kultur" - and you will find an atavistic poet, fighting against the very evil wrought by him and by his actions. This is the Greek tragedy of this breathtaking region. Nature here is cleverer than humans. It is exactly their conspiracies that bring about the very things they have to conspire against in the first place.

All over the world, intellectuals are the vanguard, the fifth column of new ideas, the resistance movement against the occupation of the old and the banal. Here intellectuals preach conformity, doing things

the old, proven way, protectionism against the trade of liberal minds. All intellectuals here - fed by the long arm of the state - are collaborators. True, all hideous regimes had their figleaf intellectuals and with a few exceptions, the regimes in the Balkans are not hideous. But the principle is the same, only the price varies. Prostituting their unique position in semi-literate, village-tribal societies - intellectuals in the Balkans sold out en masse. They are the inertial power - rather than the counterfist of reform. They are involved in politics of the wrong and doomed kind. The Balkan would have been better off had they decided to remain aloof, detached in their archipelago of universities.

There is no real fire in Balkan intellectuals. Oh, they get excited and they shout and blush and wave their hands ever so vigorously. But they are empty. It is full gas in neutral. They get nowhere because they are going nowhere. They are rational and conservative and some are emotional and "leftist". But it is all listless and lifeless, like the paces of a very old mechanism, set in motion 80 years ago and never unwound.

All that day of the eclipse of the last millennium, even the intellectuals stayed in their cellars and in their offices and did not dare venture out. They emerged when night fell, accustomed to the darkness, unable to confront their own eclipse, hiding from the evil influence of a re-emerging sun.

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## The Rip van Winkle Institutions

The West - naive, provincial and parochial - firmly believed that the rot was confined to the upper echelons of communist and socialist societies. Beneath the festering elites - the theory went - there are wholesome masses waiting to be liberated from the shackles of corruption, cronyism, double-talk and manipulation. Given half a decent chance, these good people will revert to mature capitalism, replete with functioning institutions. It was up to the West to provide these long deprived people with this eagerly awaited chance.

What the West failed to realize was that communism was a collaborative effort - a symbiotic co-existence of the rulers and the ruled, a mutual undertaking and an all-pervasive pathology. It was not confined to certain socio-economic strata, nor was it the imposed-from-above product of a rapacious nomenclature. It was a wink and nod social contract, a co-ordinated robbery, and an orgy of degeneration, decadence and corruption attended by all the citizenry to varying degrees. It was a decades long incestuous relationship between all the social and economic players. To believe that all this can be erased virtually overnight was worse than naive - it was idiotic.

Perhaps what fooled the West was the appearance of law and order. Most communist countries inherited an infrastructure of laws and institutions from their historical predecessors. Consider the Czech Republic, East Germany, Poland, Yugoslavia and even Russia. These countries had courts and police and media and banks long prior to the calamitous onset of communism. What the latter did - ingeniously - was to preserve the ossified skeletons of these institutions while draining them from any real power. Decisions were

made elsewhere, clandestinely, the outcome of brutal internecine power struggles. But they were legitimised by rubber stamp institutions: "parliaments", "judicial system", "police", "banks", and the "media". The West knew that these institutions were dysfunctional - but not to which breathtaking extent. It assumed that nothing more than technical assistance was needed in order to breathe life into the institutional infrastructure. It assumed that market forces, egged on by a class of new and increasingly wealthy shareholders, will force these institutions to shape up and begin to cater to the needs of their constituencies. Above all, it assumed that the will to have better and functioning institutions was there - and that the only thing missing was the knowledge.

These were all catastrophically wrong assumptions. In all post-communist countries, with no exception, one criminal association (the communist or socialist party) was simply replaced by another (often comprised of the very same people). Elections were used (more often, abused) simply to queue the looters, organized in political parties. The mass devastation of the state by everyone - the masses included - proceeded apace, financed by generous credits and grants from unsuspecting (or ostrich-like) multilaterals and donor conferences (recall Bosnia). If anything, materialism - the venal form of "capitalism" that erupted in the post communist planet - only exacerbated the moral and ethical degeneracy of everyone involved. Western governments, Western banks, Western businessmen and Western institutions were sucked into the maelstrom of money laundering, illicit trading, corruption, shoddiness and violence. To perpetuate their clout and prowess, the new rulers did everything they could to hinder the reform of their institutions and their restoration to functionality.

In communist societies, banks were channels of political patronage through which money was transferred from the state to certain well-connected, enterprises. Bankers were low-level clerks, who handled a limited repertoire of forms in a prescribed set of ways. Communist societies had no commercial credits, consumer credits, payment instruments, capital markets, retail banking, investment banking, or merchant banking. The situation today, a decade after the demise of

communism is not much improved. In most countries in transition, the domestic powers that be conspired to fend off foreign ownership of their antiquated and comically (or, rather, tragically) politicised "banks". The totally inept and incompetent management was not replaced, nor were new management techniques introduced. The state kept bailing out and re-capitalizing ailing banks. Political cronies and family relatives kept obtaining subsidized loans unavailable to the shrivelling private sector.

The courts, in the lands of socialism, were the vicious long arms of the executive (actually, of the party). A mockery of justice, law and common sense - judges were ill trained, politically nominated, subservient and cowed into toeing the official line. Of dubious intellectual pedigree and of certain unethical and immoral lineage - judges were widely despised and derided, known to be universally corrupt and ignorant even of the laws that they were ostensibly appointed to administer. This situation hasn't changed in any post communist society. The courts are slow and inefficient, corrupt and lacking in specialization and education. The legal system is heavily tilted in favour of the state and against the individual. Judges are identified politically and their decisions are often skewed. The executive, in many countries, does not hesitate to undermine the legitimacy of the courts either by being seen to exploit their political predilections, or by attacking them for being amenable to such use by a rival party. This sorry state is only aggravated by the frequent and erratic changes in legislation.

In communist times, the law enforcement agencies - primarily the police, the customs and the secret service - were instruments of naked aggression against dissidents, non-conformists and those who fell out of favour. In the centre of immeasurable corruption, policemen were often more dreaded than criminals. Customs officers enriched themselves by resorting to extortion, bribe taking and acts of straightforward expropriation. The secret services often ran a state within a state, replete with militias, prisons, a court system, a parallel financial system and trading companies. Again, the situation hasn't changed much. Perhaps with the exception of the secret services, all these phenomena still exist and in the open.

And then there is the media - the wastebasket of post communist societies, the cesspool of influence peddling and calumny. Journalists are easily bought and sold and their price is ever decreasing. They work in mouthpieces of business interests masquerading as newspapers or electronic media. They receive their instructions - to lie, to falsify, to ignore, to emphasize, to suppress, to extort, to inform, to collaborate with the authorities - from their Editor in Chief. They trade news for advertising. Some of them are involved in all manner of criminal activities, others are simply unethical in the extreme. They all have pacts with Mammon. People do not believe a word these contortionists of language and torturers of meaning write or say. It is by comparing these tampered and biased sources that people reach their own conclusions within their private medium.

One should hope that the disillusionment of the West is near. Post communist societies are sick and their institutions are a travesty. As is often the case with the mentally ill, there is a strong resistance to treatment and recovery. The options are two: to disengage - or to commit to an asylum with force-feeding, forced administering of medication and constant monitoring. The worst behaviour is to go on pretending that the problem does not exist, or that it is much less serious than it really is. Denial and repression are the very sources of dysfunction. They have to be fought. And sometimes the patient's own welfare - not to mention that of his environment - requires arm-twisting or the infliction of pain. There is a kernel of good people in every society. In the post communist societies, this kernel and suppressed and mocked and sometimes callously silenced. To give these people a voice should be the first priority of the West. But this cannot be done by colluding with their oppressors. The West has to choose - and now.

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## Inside, Outside

### Diasporas and Modern States

*A speech given at the meeting of the Canada-Macedonia Chamber of Commerce in Toronto, Canada on December 4th, 1999*

Distinguished Guests,

I was born to parents of the working class in Israel, in 1961. It was a grim neighbourhood, in a polluted industrial area, a red bastion of the "socialist" labour party. The latter would have easily qualified as Bolshevik-communist anywhere else. It exerted the subtly pernicious decadently corrupt kind of all-pervasive influence that is so typical in one party states. Sure, there were a few token fringe opposition parties but Labour's dominance went uninterrupted for more than 90 years. And corruption was both rife and rampant - nepotism, cronyism, outright bribery. During the 70s, the recently appointed governor of the central bank was imprisoned and a minister committed suicide. Many more immolated themselves or ended serving long sentences in over-crowded jails. Massive scandals erupted daily. Some of them cost the country more than 10% of its GDP each (for example, the crisis of the bank shares in 1983). In the 80s, privatisation turned into an orgy of privateering, spawning a class of robber barons. Red tape is still a major problem - and a major source of employment. And then there were the wars and armed conflicts and vendettas and retributions and mines and missiles and exploding buses and the gas masks. In its 52 years of independence the country has gone through 6 major official wars and more than 10 war-sized conflicts.



Yet, despite all the above, Israel emerged as by far the most outstanding economic miracle. Its population was multiplied by 10 by surges of immigrants. During the 50s, it tripled from 650,000 (1948 - Jewish population figures only) to 2,000,000. The newcomers were all destitute, the refugees of the geopolitics of hate from both the Eastern block and from the Arab countries. The cultural, social and religious profile of the latter stood in stark contrast to that of their "hosts". Thus the seeds of long term inter-ethnic, inter-cultural, social and religious conflicts were sown, soon to blossom into full-fledged rifts. During the 90s - 800,000 Russian immigrants flooded a Jewish population of 4,500,000 souls. But these demographic upheavals did not disturb a pattern of unprecedented economic growth, which led to a GDP per capita per annum of 17,000 USD. Israel is a world leader in agriculture, armaments, information technology, research and development in various scientific fields. Yet, it is a desert country, smaller in area than Macedonia and with much fewer and lesser natural endowments. It was subjected to an Arab embargo for more than 40 consecutive years. On average it had c. 3 million inhabitants throughout its existence.

Israel's secret was the Jews in the Jewish Diaspora the world over.

From its very inception - as a budding concept in the febrile brain of Herzl - the Jewish State was considered to be the home of all Jews, wherever they are. A Law of Return granted them the right to immediately become Israeli citizens upon stepping on the country's soil. The Jewish State was considered to be an instrument of the Jewish People, a shelter, an extension, a long arm, a collaborative and symbiotic effort, an identity, an emotional apparatus, a buffer, an insurance policy, a retirement home, a showcase, a convincing argument against all anti-Semites past and present. There was no question whatsoever regarding the implicit and explicit contractual obligations between these two parties. The Jews in the Diaspora had to disregard and ignore Israel's warts, misdeeds and disadvantages. They had to turn a public blind eye to corruption, nepotism, cronyism, the inefficient allocation of economic resources, blunders and failures. They had to support Israel financially. In return, the Jewish State had to ensure its own successful survival against all

odds and to welcome all the Jews to become its citizens whenever they chose to and no matter what their previous record or history is. Hence the constant arguments about WHO is a Jew and which institution should be allowed to monopolize the endowment of this lucrative and, potentially, life saving status. Hence the bitter resentment felt in many circles toward the 200,000 or so non-Jewish immigrants, the relatives of the Jewish ones who flooded Israel's shores in the last decade.

But the consensus was and is unharmed, appearances notwithstanding. And the Jews supported Israel in numerous straightforward and inventive ways. They volunteered to fight for it. They spied for it. They donated money and built hospitals, schools, libraries, universities and municipal offices. They supported students through scholarships and young leaders through exchange programs. They managed and financed a gigantic network of educational facilities from youth summer camps to cultural exchanges. They bought the risky long-term bonds of the nascent state, which was constantly fighting for its life (and they did an excellent business in hindsight). Some of them invested money in centrally planned, periphery bound, lost economic causes - ghost factories that produced shoddy and undemanded goods. Year in and year out they poured an average of half a billion US dollars a year annually (about 200 million US dollars a year in net funds). Most of the money did not come from the stereotypical Jewish billionaires. Most of it came through a concerted effort of voluntary (though surely peer pressured) money raising among hundreds of thousands of poor Jews the world over. The Jewish people set up a horde of organizations whose aim was collection of funds and their application to the advancement of Zionist and Jewish causes. Every Jew deposited a few weekly cents into the "Blue Box" - "for the cause": to redeem land, to establish settlements, to open educational institutions, to publish a Jewish newspaper, to act against anti-Semitism, to rebrand Judaism and fight nefarious stereotypes. It was a grassroots movement directed only by the dual slogans of "No Other Choice" and "The Whole World is Against Us". Emanating from posttraumatic and

paranoiac roots - it later became a groundswell of goodwill, enthusiastic co-operation and pride.

And all this time, the Jews knew. Not only the sophisticated, worldly Jewish moneymen. Not only the cosmopolitan, erudite Jewish intellectuals. But also the more typical small time tailors and shoemakers and restaurateurs and cab drivers and plumbers and sweatshop textile workers. They all knew - and it did not sway them one bit. It did not drive them away. They did not gripe and complain or abstain. They kept coming. They kept pouring money into this seemingly insatiable black hole. They kept believing. They kept waiting and they kept active. And all these long decades - they knew.

They knew that Israel was ruled by a caste of utterly corrupt politicians whose avarice equalled only their incompetence. They knew that central planning was going nowhere fast. They knew that elections were rigged, that red tape was strangling entrepreneurship and initiative, that inter ethnic tension was explosive. They knew that Israel lost its not to a demographically exploding Arab population coupled with endless acts of terrorism. They knew that Israel's conduct was not fair, not always democratic, and often unnecessarily aggressive. They knew that tenders were won by bribes, that transparency was a mockery, that the courts were negligent and inefficient. They knew that property rights were not protected and that people were pusillanimous and greedy and petty and self-occupied (not to say narcissistic). They witnessed the waste of scarce resources, the indefinitely protracted processes, the bureaucratic delays, the free use of public funds for private ends. They watched as ministers and members of the Knesset and top law enforcement agent conspired to engage in crime and then colluded in covering it up. And they felt betrayed and agonized over all this.

Yet, they NEVER - NEVER - not even for a second, considered giving up. They NEVER - NEVER - stopped the money coming. They did not discontinue the dialogue intended to make things better, over there, the land of their so distant fathers. They always donated and invested and financed and visited and cajoled and argued and opined and hoped and dreamed.

Because this was THEIR country, as well. Because it was a partnership and the inexperienced, stray partner was given the benefit of indefinite doubt. Because they saw the opportunity - the economic opportunity, for sure - but, above all, the historical opportunity. When Israel did mature, when it became a law state, orderly, transparent, efficient, forward looking, the high tech Israel we all know - it repaid them over and over again. They all made money on their decades of patience and endurance. The rich made big money. The small guys made less. But there is no Jew today who can say that he lost money in Israel because he became financially or economically active there in the long run.

They stuck to Israel primarily because they were Jews (and, by easy extension, Israelis). And this is what being a Jew meant. And they were richly rewarded by the Justice Minister of history. Perhaps there is a lesson to be learnt here by Macedonians in the Diaspora. I, for one, am sure there is.

Thank you.

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## The Magla Vocables

The Macedonians have a word for it - "Magla", fog. It signifies the twin arts of duplicity and ambiguity. In the mental asylum that the swathe of socialist countries was, even language was pathologised. It mutated into a weapon of self-defence, a verbal fortification, a medium without a message, replacing words with vocables. Easterners (in this text, the unfortunate residents of the Kafkaesque landscape which stretches between Russia and Albania) don't talk or communicate. They fend off. They hide and evade and avoid and disguise. In the planet of capricious and arbitrary unpredictability, of shifting semiotic and semantic dunes that they inhabited for so many decades (or centuries) - they perfected the ability to say nothing in lengthy, Castro-like speeches. The ensuing convoluted sentences are Arabesques of meaninglessness, acrobatics of evasion, lack of commitment elevated to an ideology. The Easterner prefers to wait and see and see what waiting brings. It is the postponement of the inevitable that leads to the inevitability of postponement as a strategy of survival.

It is impossible to really understand an Easterner. The syntax fast deteriorates into ever more labyrinthine structures. The grammar tortured to produce the verbal Doppler shifts essential to disguise the source of the information, its distance from reality, the speed of its degeneration into rigid official versions. Buried under the lush flora and fauna of idioms without an end, the language erupts, like some exotic rash, an autoimmune reaction to its infection and contamination. And this newspeak, this malignant form of political correctness is not the exclusive domain of politicians or "intellectuals". Like vile weeds it spread throughout, strangling with absent minded persistence the ability to understand, to agree, to

disagree and to debate, to present arguments, to compare notes, to learn and to teach. Easterners, therefore, never talk to each other - rather, they talk at each other. They exchange subtexts, camouflage-wrapped by elaborate, florid, texts. They read between the lines, spawning a multitude of private languages, prejudices, superstitions, conspiracy theories, rumours, phobias and mass hysterias. There is a solipsistic world - where communication is permitted only with oneself and the aim of language is to throw others off the scent.

This has profound implications. Communication through unequivocal, unambiguous, information-rich symbol systems is such an integral and crucial part of our world - that its absence is not postulated even in the remotest galaxies, which grace the skies of science fiction. In this sense, Easterners are nothing short of aliens. It is not that they employ a different language, a code to be deciphered by a new Champollion. The Cyrillic alphabet is not the obstacle. It is also not the outcome of cultural differences. It is the fact that language is put by Easterners to a different use - not to communicate but to obscure, not to share but to abstain, not to learn but to defend and resist, not to teach but to preserve ever less tenable monopolies, to disagree without incurring wrath, to criticize without commitment, to agree without appearing to do so. Thus, Eastern contracts are vague expressions of intentions at a given moment - rather than the clear listing of long term, iron-cast and mutual commitments. Eastern laws are loopholed incomprehensibles, open to an exegesis so wide and so self-contradictory that it renders them meaningless. Eastern politicians and Eastern intellectuals often hang themselves by their own verbose Gordic knots, having stumbled through a minefield of logical fallacies and endured self-inflicted inconsistencies. Unfinished sentences hover in the air, like vapour above a semantic swamp.

In some countries (the poorer ones, which were suppressed for centuries by foreign occupiers), there is the strong urge not to offend. Still at the tribal-village stage of social development, intimacy and inter-dependence are great. Peer pressure is irresistible and it results in conformity and mental homogeneity.

Aggressive tendencies, strongly repressed in this social pressure cooker, are close under the veneer of forced civility and violent politeness. Constructive ambiguity, a non-committal "everyone is good and right", an atavistic variant of moral relativism and tolerance bred of fear and of contempt - are all at the service of this eternal vigilance against aggressive drives, at the disposal of a never ending peacekeeping mission.

In other countries, language is used cruelly and ruthlessly to ensnare one's enemies, to sow confusion and panic, to move the masses, to leave the listeners in doubt, in hesitation, in paralysis, to gain control, or to punish. There, symbols are death sentences in both the literal and the figurative senses. Poets, authors and journalists still vanish regularly and newspapers and books are compiled into black lists with dreadful consequences. In these countries, language is enslaved and forced to lie. There is no news - only views, no interest - only interests, no facts - only propaganda, no communication - only ex-communication. The language is appropriated and expropriated. It is considered to be a weapon, an asset, a piece of lethal property, a traitorous mistress to be gang raped into submission.

And yet in other places in the East, the language is a lover. The infatuation with its very sound leads to a pyrotechnic type of speech which sacrifices its meaning to its music. Its speakers pay more attention to the composition than to the content. They are swept by it, intoxicated by its perfection, inebriated by the spiralling complexity of its forms. Here, language is an inflammatory process. It attacks the social tissues with artistic fierceness. It invades the healthy cells of reason and logic, of cool-headed argumentation and level headed debate. It raises the temperature of the body politic. It often kills. It moves masses. Submerged in and lured by the notes issued forth by the pied piper of the moment - nations go to war, or to civil war, resonating with the echoes of their language.

Language is a leading indicator of the psychological and institutional health of social units. Social capital can often be measured in cognitive (hence, verbal-lingual) terms. To monitor the level of comprehensibility and lucidity of texts is to study the degree

of sanity of nations (think about the rambling "Mein Kampf"). There can exist no hale society without unambiguous speech, without clear communications, without the traffic of idioms and content that is an inseparable part of every social contract. Our language determines how we perceive our world. It IS our mind and our consciousness. The much-touted transition starts in the mind and consciousness determines reality. Marx would have approved.

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## The Elders of Zion

I was shown the same book in Yugoslavia, in Macedonia and in Bulgaria - "The World Conspiracy" - a shabby tome written by an ageing "scholar". The main, unabashedly anti-Semitic, hypothesis (presented as undisputed fact) is that the Jews rule the world supreme - always have, probably always will. Lists of prominent Jews in the world of international finance reprinted with lists of influential Jews in the Soviet communist regime. And it all amounts to a well-organized secretive machinery of illicit power, claims the author with all the persuasion of a paranoid. In here, trash magazines dwell endlessly on these and similar themes.

Yet, anti-Semitism is only one species in a zoo of rumours, conspiracy theories, Meta histories and metaphysics. Superstitions, prejudices and calumny thrive in the putrid soil of disinformation, mis-information and lack of information. In the void created by unreliable, politicised and corrupt media - rumour mills spring eternal. It is a malignant growth, the outcome of a breakdown of trust so complete - that communication is rendered impossible. This is the main characteristic of the East (from Russia to Albania): distrust. Citizens and politicians, businessmen and government, the media and its consumers, manufacturers and service providers, the sick and their doctors - all suspect each other of ulterior motives and foul play. All are more often than not quite right to do so.

It is a Kafkaesque, sealed universe in which nothing is, as it appears to be. This acrimonious divorce between appearances and essence, facade and truth, the Potemkin and the real - is a facet of daily life, of the most mundane exchanges, of the most trivial pursuits. Motives are sought with increasing urgency - why did he do it, what did he try to achieve, why had he not chosen a different

path, why here, why with us, why now, what can it teach us. Information is pursued frantically, appearances discarded, data juggled, heated debates ensue, versions erupt, only to subside and be replaced by others. It is a feverish ritual, the sound of clashing exegeses, of theories constructed and demolished in vacuo.

At the heart of it all, is the unbearable uncertainty of being. Political uncertainty under communism was replaced by economic uncertainty under the insidious and venal form of capitalism that replaced it. Tucked in identical cubicles, the citizens of planet communism were at least assured of a make belief job in a sprawling bureaucracy or in a decrepit factory, manufacturing redundant documents or shoddy goods. Subsistence was implicitly guaranteed by the kleptocracy that ruled them and, in principle, it was always possible to ignore the moral stench and join the nomenklatura, thereby developing instant upward mobility. Corruption, theft and graft were tolerated by the state as means of complementing income. Life was drab but safe as long as one abstained from politics and subserviently consumed the bitter medicines of acquiescence and collaboration. The vast majority (with the exception of the USSR under Stalin) were not affected by the arbitrary capriciousness of history. They decayed slowly in their housing estates, morally degenerate, possession-less but certain of a future that is the spitting image of their past.

Under the spastic orgy of legalized robbery of state assets that passed for privatisation, millions were made redundant while thousands enriched themselves by choreographed looting. The results were instability, unpredictability, uncertainty and fear. In a world thus unhinged, the masses groped for reason, for a scheme, for a method in the madness, for an explanation, however sinister and ominous. Anything was preferable to the seemingly random natural forces unleashed upon them with such apparent vengeance. Even a "World Government" (a favourite), the Illuminati (a Freemasonry-like movement but much more odious), the Jews, the USA, aliens. The greatest conspiracy theory of them all - the Phoenix of religion - sprang back to life from the ashes it was reduced to by

communism. A host of mystical beliefs and sects and cults mushroomed noxiously in the humid shadows of irrationality.

Thus, every event, no matter how insignificant, any occurrence, no matter how inconsequential and any coincidence, no matter how coincidental - assume heraldic meaning. People in these domains carry their complex jigsaw puzzles with them. They welcome each new piece with the zeal of the converted. They bellow triumphantly with every "proof" of their pet theory, with every datum, with each rumour. Things don't just happen - they whisper, conspiratorially - things are directed from above, ordained, regulated, prevented, or encouraged by "them". A group of 400 rule the world. They are Jews, they are the Serb mafia, or the Bulgarian. Or the Americans who plan to dominate (which obviously puts Kosovo in context). They are the rich and powerful, the objects of envy and frightened admiration, of virulent hate and rage. They are responsible. We pay the price - we, the small and powerless and poor. And it is hopeless, it has been like that forever. The disparity between them and us is too great. Resistance is futile.

Why was this president elected? Surely, the West demanded it. Or political parties conspired to rig the vote. Or rich businessmen supported him. What is the real aim of foreign investors in coming to these godforsaken places, if not to infiltrate and penetrate and establish their long-term dominion? And wouldn't it be safe to assume that all the foreigners are spies, that all the Jews collaborate, that the neighbours would have liked to conquer and to subjugate us, that the world is a colossal puppet show? In other words, is it not true that we are puppets - victims - in a theatre not of our making? They filter out that which does not conform to their persuasion, does not accord with their suspicions, and does not fit within their schemes.

This deferral of responsibility brings relief from shame and blame. Guilt is allayed by symbolically and ritually passing it onto another. Fear is quelled by the introduction of schemata. These are potent psychological incentives. They provide structure to the amorphous, bring order to the chaos that is the brave, new world of the economies in transition. Flux is replaced by immutable "truths",

possibilities by certainties, threats by "knowledge". It is a reconstruction and reconquest of a paradise lost by giving up the fruit of the tree of knowledge.

It is this hyper-vigilance, this elevated suspicion, these instant certainties fabricated from frail pseudo-theories and conspiracies - that make the Man of the East so easy to manipulate, so vulnerable, so amenable to collude in his own downfall. Bewitched by his self-spun myths, captivated by his own paranoia, under the spell of his magical, immature, thinking - non critical, non analytical, non discriminating - he is exquisitely susceptible to crooks and charlatans, to manipulators and demagogues, to the realization of the very threats he tried to fend off in the first place.

Here is what the DSM ("Diagnostics and Statistics Manual") IV (1994) published by the APA (American Psychiatric Association) has to say about paranoids and schizotypals:

#### ***The Paranoid Personality Disorder***

A pervasive distrust and suspiciousness of others such that their motives are interpreted as malevolent, beginning by early adulthood and present in a variety of contexts, as indicated by four (or more) of the following:

1. Suspects without sufficient basis, that others are exploiting, harming, or deceiving him or her;
2. Is preoccupied with unjustified doubts about the loyalty or trustworthiness of friends or associates;
3. Is reluctant to confide in others because of unwarranted fear that the information will be used maliciously against him or her;
4. Reads hidden demeaning or threatening meanings into benign remarks or events;
5. Persistently bears grudges, i.e., is unforgiving of insults, injuries, or slights;
6. Perceives attacks on his or her character or reputation that are not apparent to others and is quick to react angrily or to counterattack;

7. Has recurrent suspicions, without justification, regarding fidelity of spouse or sexual partner.

### ***Schizotypal Personality Disorder***

A pervasive pattern of social and interpersonal deficits marked by acute discomfort with and reduced capacity for close relationships as well as by cognitive or perceptual distortions and eccentricities of behaviour beginning by early adulthood and present in a variety of contexts as indicated by five (or more) of the following:

1. Ideas of reference (excluding delusions of reference) - (SV: the delusional belief that others are looking at him pointing at him, talking about him, especially in a derogatory manner);
2. Odd beliefs or magical thinking that influences behaviour and is inconsistent with subcultural norms (e.g., superstitiousness, belief in clairvoyance, telepathy, or "sixth sense"; in children and adolescents, bizarre fantasies or preoccupations);
3. Unusual perceptual experiences, including bodily illusions;
4. Odd thinking and speech (e.g., vague, circumstantial, metaphorical, over-elaborate, or stereotyped);
5. Suspiciousness or paranoid ideation;
6. Inappropriate and constricted affect;
7. Behaviour, or appearance that is odd, eccentric, or peculiar;
8. Lack of close friends or confidants other than first-degree relatives;
9. Excessive social anxiety that does not diminish with familiarity and tends to be associated with paranoid fears rather than negative judgements about self.

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## The Last Family

*"One man cannot be a warrior on a battlefield"*  
(Russian proverb)

There is no word for it in Russian. Platon Karatayev, the typical "Russian soul" in Tolstoy's "War and Peace", extols, for pages at a time, the virtues of communality and disparages the individual - this otherwise useless part of the greater whole. In Macedonia the words "private" or "privacy" pertain to matters economic. The word "intimacy" is used instead to designate the state of being free of prying, intrusive eyes and acts of meddling. Throughout Central and Eastern Europe, the rise of "individualism" did not give birth to its corollary: "privacy". After decades (and, in most cases, centuries) of cramped, multi-generational shared accommodation, it is no wonder.

To the alienated and schizoid ears of Westerners, the survival of family and community in CEE sounds like an attractive proposition. A dual-purpose safety net, both emotional and economic, the family in countries in transition provides its members with unemployment benefits, accommodation, food and psychological advice to boot. Divorced daughters, saddled with little (and not so little) ones, the prodigal sons incapable of finding a job befitting their qualifications, the sick, the unhappy - all are absorbed by the compassionate bosom of the family and, by extension the community. The family, the neighbourhood, the community, the village, the tribe - are units of subversion as well as useful safety valves, releasing and regulating the pressures of contemporary life in the modern, materialistic, crime ridden state. The ancient blood feud laws of the kanoon were handed over through familial lineages in northern Albania, in defiance of the paranoiac Enver Hoxha regime. Criminals hide among their kin in the Balkans, thus effectively evading the long arm of the

law (state). Jobs are granted, contracts signed and tenders won on an open and strict nepotistic basis and no one finds it odd or wrong. There is something atavistically heart-warming in all this.

Historically, the rural units of socialization and social organization were the family and the village. As villagers migrated to the cities, these structural and functional patterns were imported by them, en masse. The shortage of urban apartments and the communist invention of the communal apartment (its tiny rooms allocated one per family with kitchen and bathroom common to all) only served to perpetuate these ancient modes of multi-generational huddling. At best, the few available apartments were shared by three generations: parents, married offspring and their children. In many cases, the living space was also shared by sickly or no-good relatives and even by unrelated families.

These living arrangements - more adapted to rustic open spaces than to high rises - led to severe social and psychological dysfunctions. To this very day, Balkan males are spoiled by the subservience and servitude of their in-house parents and incessantly and compulsively catered to by their submissive wives. Occupying someone else's home, they are not well acquainted with adult responsibilities. Stunted growth and stagnant immaturity are the hallmarks of an entire generation, stifled by the ominous proximity of suffocating, invasive love. Unable to lead a healthy sex life behind paper thin walls, unable to raise their children and as many children as they see fit, unable to develop emotionally under the anxiously watchful eye of their parents - this greenhouse generation is doomed to a zombie-like existence in the twilight nether land of their parents' caves. Many ever more eagerly await the demise of their caring captors and the promised land of their inherited apartments, free of their parents' presence.

The daily pressures and exigencies of co-existence are enormous. The prying, the gossip, the criticism, the chastising, the small agitating mannerisms, the smells, the incompatible personal habits and preferences, the pusillanimous bookkeeping - all serve to erode the individual and to reduce him or her to the most primitive mode of survival. This is further exacerbated by the need to share

expenses, to allocate labour and tasks, to plan ahead for contingencies, to see off threats, to hide information, to pretend and to fend off emotionally injurious behaviour. It is a sweltering tropic of affective cancer.

Newly found materialism brought these territories a malignant form of capitalism coupled with a sub-culture of drugs and crime. The eventuating disintegration of all polities in the ensuing moral vacuum was complete. From the more complex federations or states and their governments, through intermediate municipalities and down to the most primitive of political cells - the family - they all crumbled in a storm of discontent and blood. The mutant frontier-"independence" or pioneer-"individualism" imported from Western B movies led to a functional upheaval unmatched by a structural one. People want privacy and intimacy more than ever - but they still inhabit the same shoddily constructed, congested accommodation and they still earn poorly or are unemployed. This tension between aspiration and perspiration is potentially revolutionary. It is this unaccomplished, uneasy metamorphosis that tore the social fabric of CEE apart, rendering it poisoned and dysfunctional. This is nothing new - it is what brought socialism and its more vicious variants down.

But what is new is inequality. Ever the pathologically envious, the citizens of CEE bathed in common misery. The equal distribution of poverty and hardship guaranteed their peace of mind. A Jewish proverb says: *"The trouble of the many is half a consolation."* It is this breakdown of symmetry of wretchedness that really shook the social order. The privacy and intimacy and freedom gained by the few are bound to incite the many into acts of desperation. After all, what can be more individualistic, more private, more mind requiring, more tranquillizing than being part of a riotous mob intent of implementing a platform of hate and devastation?

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## Rasputin in Transition

The mad glint in his eyes is likely to be nothing more ominous than maladjusted contact lenses. If not clean-shaven, he is likely to sport nothing wilder than a goatee. More likely an atheist than a priest, this mutation of the ageless confidence artist is nonetheless the direct spiritual descendent of Rasputin, the raving maniac who governed Russia until his own execution by Russian noblemen and patriots.

They are to be found in all countries in transition. Wild and insidious weeds, the outcome of wayward pollination by mutated capitalism. They prey on their victims, at first acquiring their confidence and love, then penetrating their political, social and financial structures almost as a virus would: stealthily and treacherously. By the time their quarry wakes up to its infection and subjugation - it is already too late. By then, the invader will have become part of the invaded or its master, either through blackmail or via tempting subornation.

This region of the CEE and the Balkans provides for fertile grounds. It is a Petrie dish upon which cultures of corruption and scandalous conduct are fermented. The typical exploiter of these vulnerabilities is a foreigner. Things foreign are held in awe and adulation by a populace so down trodden and made to feel inferior in every way, not least by foreign tutors and advisors. The craving to be loved, this gnawing urge to be accepted, to be a member of the club, to be distinguished from one's former neighbours - are irresistible. The modern Rasputin doles out this unconditional acceptance, this all-encompassing affinity, the echoes of avuncularity. In doing so, he evokes in the recipients such warmth, such relief, such fervour and reciprocity - that he becomes an idol, a symbol of a paradise long

lost, a golden braid. Having thus completed the first phase of his meticulous attack - he moves on to the second chapter in this book of body snatching.

Armed with his new-fangled popularity, the crook moves on and leverages it to the hilt. He does so by feigning charity, by faking interest, by false "constructive criticism". To his slow forming army, he recruits the media, the flower children, the bleeding hearts, reformers, dissidents and the occasional freak. By holding old authority in disdain, by declaring his contempt for the methods of the "tried and true", by appearing to make war upon all rot and immorality - this creature of expediency emerges as a folk hero. It is the more cynical and world weary and "sophisticated" members of society that lead the way, succumbing to his ardour and conviction, to his child-like innocence, to his unwavering agenda. He cleverly thrusts at them the double edge of their own disillusionment and disappointment. Thus mirrored, they are transformed and converted into his camp of renewal and clean promises by this epiphany. They hand him the keys to every medium, the very codes and secrets that make him so powerful. They pledge their alliance and allegiance and render to him the access they possess to the nerve centres of society. The castle gates thus opened from inside, his victory assured, the rogue moves on to consummate this unholy marriage between himself and the deceived.

Always in fear of light, he surreptitiously and cunningly begins to interact with the foci of power and money in the land. However loathsome he is to them, however repulsive the experience, however undesirable the effects of their surrender - they are made to recognize him as their equal. With the might of the media and a large part of the people behind him, he can no longer be ignored. Their conspiracy-prone mind, awash with superstitions and its attaching phobias, tries to comprehend his meteoric rise, the forcefulness with which he treads, his unmitigated, inane, self-confidence. Is he a spy? A member of a secret order? The latent agent of a hyperpower? The heart of a world conspiracy? Has he no fear of retribution and no remorse? Before this great unknown, they kneel and yield, an atavistic reaction to atavistic fears. Now all

doors are thrown open, all deals are made available, all secrets are revealed. The more he learns, the mightier he becomes - the more his might, the more he learns. To him, a virtuous cycle, to his hosts - a vicious one.

In all this tumult, he does not lose sight of his original goals - power, money, fame, all three. It is a relentless pursuit, an obsessive hunt, a ruthless and unscrupulous chase. In his war, no prisoners are taken, no price too dear, no human in his orbit left untouched. He will manipulate and threat and beg and promise and plead and blackmail and extort to accomplish that which he set out to achieve: decision making powers, wealth, clout, exposure and resultant fame. It is at this stage that the latter day Rasputin emerges from the shadows and joins officialdom or concludes lucrative transactions based on favourably deflated prices and insider dealing. By now, his shady past is no longer a hindrance. His prowess far exceeds his invidious biography. Well installed, he ignores both media and the people. He brushes aside contemptuously all criticism and enquiry. His true, narcissistic, face is exposed and it is hideous to behold. But there is nothing to be done and all resistance is futile. The con man now is in a haste to maximize his hard earned profits and exit the scene, on his way to another realm of guile and naiveté.

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## The Honorary Academic

Mira Markovic is an "Honorary Academic" of the Russian Academy of Science. It cost a lot of money to obtain this title and the Serb multi-billionaire Karic was only too glad to cough it up. Whatever else you say about Balkan cronies, they rarely bite the hand that feeds them (unless and until it is expedient to do so). And whatever else you say about Russia, it adapted remarkably to capitalism. Everything has a price and a market. Israel had to learn this fact the hard way when Russian practical-nurse-level medical doctors and construction-worker-level civil engineers flooded its shores. Everything is for sale in this region of opportunities, instant education inclusive.

It seems that academe suffered the most during the numerous shock therapies and transition periods showered upon the impoverished inhabitants of Eastern and Central Europe. The resident of decrepit communist-era buildings, it had to cope with a flood of eager students and a deluge of anachronistic "scholars". But in Russia, the CIS and the Balkans the scenery is nothing short of Dantesque. Unschooled in any major European language, lazily content with their tenured positions, stagnant and formal - the academics and academicians of the Balkans are both failures and a resounding indictment of the rigor mortis that was socialism. Economics textbooks stop short of mentioning Friedman or Phelps. History textbooks should better be relegated to the science fiction shelves. A brave facade of self-sufficiency covers up a vast hinterland of inferiority complex fully supported by real inferiority. In antiquated libraries, shattered labs, crooked buildings and inadequate facilities, students pursue redundant careers with the wrong teachers.

Corruption seethes under this repellent surface. Teachers sell exams, take bribes, and trade incestuous sex with their students. They refuse to contribute to their communities. In all my years in the Balkans, I have yet to come across a voluntary act - a single voluntary act - by an academic. And I have come across numerous refusals to help and to contribute. Materialism incarnate.

This sorry state of affairs has a twofold outcome. On the one hand, herds of victims of rigidly dictated lectures and the suppression of free thought. These academic products suffer from the twin afflictions of irrelevance of skills and the inability to acquire relevant ones, the latter being the result of decades of brainwashing and industrial educational methods. Unable to match their anyhow outdated knowledge with anything a modern marketplace can offer - they default on to menial jobs, rebel or pull levers to advance in life. Which leads us to the death of meritocracy and why this region's future is behind it.

In the wake of the downfall of all the major ideologies of the 20<sup>th</sup> century - Fascism, Communism, etc. the New Order, heralded by President Bush, emerged as a battle of Open Club versus Closed Club societies, at least from the economic point of view.

All modern states and societies must choose whether to be governed by merit (meritocracy) or by the privileged few (oligarchy). It is inevitable that the social and economic structures be controlled by elites. It is a complex world and only a few can master the knowledge it takes to govern effectively. What sets meritocracy apart is not the number of members of its ruling (or leading) class, usually no larger than an oligarchy. No, it is distinguished by its membership criteria and by the mode of their application.

The meritocratic elite is an open club because it satisfies three conditions:

1. The process and rules of joining up (i.e., the criteria) are transparent and widely known;
2. The application and membership procedures are uniform, equal to all and open to continuous public scrutiny and criticism;

3. The system alters its membership requirements in direct response to public feedback and to the changing social and economic environment.

To belong to a meritocracy one needs to satisfy a series of demands, whose attainment is entirely up to the individual. And that is all that one needs to do. The rules of joining and of membership are cast in iron. The wishes and opinions of those who happen to comprise the club at any given moment are of no importance and of no consequence. Meritocracy is a "fair play" by rules of equal chance to derive benefits. Put differently, is the rule of law.

To join a meritocratic club, one needs to demonstrate that one is in possession of, or has access to, "inherent" parameters, such as intelligence, a certain level of education, a potential to contribute to society. An inherent parameter must correspond to a criterion and the latter must be applied independent of the views and predilections of those who sometimes are forced to apply it. The members of a committee or a board can disdain an applicant, or they might wish not to approve a candidate. Or they may prefer someone else for the job because they owe her something, or because they play golf with him. Yet, they are permitted to consider only the applicant's or the candidate's "inherent" parameters: does he have the necessary tenure, qualifications, education, experience? Does he contribute to his workplace, community, and society at large? In other words: is he "worthy" or "deserving"? Not WHO he is - but WHAT he is.

Granted, these processes of selection, admission, incorporation and assimilation are administered by mere humans and are, therefore, subject to human failings. Can qualifications be always judged "objectively, unambiguously and unequivocally"? Can "the right personality traits" or "the ability to engage in teamwork" be evaluated "objectively"? These are vague and ambiguous enough to accommodate bias and bad will. Still, at least appearances are kept in most cases - and decisions can be challenged in courts.

What characterizes oligarchy is the extensive, relentless and ruthless use of "transcendent" (in lieu of "inherent") parameters to decide who will belong where, who will get which job and,

ultimately, who will enjoy which benefits. The trouble with transcendent parameters is that there is nothing much an applicant or a candidate can do about them. Usually, they are accidents, occurrences absolutely beyond the reach or control of those most affected by them. Race is such a transcendent parameter and so are gender, familial affiliation or contacts and influence.

In many corners of the globe, to join a closed, oligarchic club, to get the right job, to enjoy excessive benefits - one must be white (racism), male (sexual discrimination), born to the right family (nepotism), or to have the right political (or other) contacts (cronyism). And often, belonging to one such club is the prerequisite for joining another.

In France, for instance, the whole country is politically and economically run by graduates of the Ecole Normale d'Administration (ENA). They are known as the ENArques (=the royal dynasty of ENA graduates).

The privatisation of state enterprises in most East and Central European countries provided a glaring example of oligarchic machinations. In most of these countries (the Czech Republic, Macedonia, Serbia and Russia are notorious examples) - state companies, the nation's only assets, were "sold" to political cronies, creating in the process a pernicious amalgam of capitalism and oligarchy, known as "crony capitalism" or privateering. The national wealth was passed on to the hands of relatively few, well connected, individuals, at a ridiculously low price. The nations involved were robbed, their riches either squandered or smuggled abroad.

In the affairs of humans, not everything falls neatly into place. Take money, for instance. Is it an inherent parameter or an expressly transcendent one? Making money indicates the existence of some merit, some inherent advantageous traits of the moneymaking individual. To make money consistently, a person needs to be diligent, resilient, hard working, to prevail and overcome hardships, to be far sighted and to possess a host of other - universally acclaimed - traits. On the other hand, is it fair when someone who made his fortune through corruption, inheritance, or luck - be preferred to a poor genius?

That is a contentious issue. In the USA money talks. Being possessed of money means being virtuous and meritorious. To preserve a fortune inherited is as difficult a task as to make it in the first place, the thinking goes. Thus, the source of the money is secondary.

An oligarchy tends to have long term devastating economic effects.

The reason is that the best and the brightest - when shut out by the members of the ruling elites - emigrate. In a country where one's job is determined by his family connections or by influence peddling - those best fit to do the job are likely to be disappointed, then disgusted and then to leave the place altogether.

This is the phenomenon known as "Brain Drain". It is one of the biggest migratory tidal waves in human history. Capable, well-trained, educated, young people leave their oligarchic, arbitrary, influence peddling societies and migrate to less arbitrary meritocracies (mostly to be found in what is collectively known as "The West").

This is colonialism of the worst kind. The mercantilist definition of a colony is a territory, which exports raw materials only to re-import them in the form of finished products. The Brain drain is exactly that: the poorer countries are exporting raw brains and buying back the finished products masterminded, invented and manufactured by these brains.

Yet, while in classical colonialism, the colony at least received some recompense for its goods - here the poor country is actually the poorer for its exports. The bright young people who depart (most of them never to return) carry with them an investment of the scarce resources of their homeland - and award it to their new, much richer, host countries. This is an absurd situation, a subsidy granted reluctantly by the poor to the rich. This is also one of the largest capital transfers (really capital flight) in history.

Some poor countries understood these basic, unpleasant, facts of life. They extracted an "education fee" from those emigrating. This fee was supposed to, at least partially, recapture the costs of educating and training the immigrants. Romania and the USSR



imposed such levies on Jews immigrating to Israel in the 1970s. Others despairingly regard the brain drain as a natural catastrophe. Very few countries are trying to tackle the fundamental, structural and philosophical flaws of the system, the roots of the disenchantment of those who leave.

The Brain Drain is so serious that some countries lost up to a third of their total young and educated population to it (Macedonia in South-eastern Europe, some less developed countries in South East Asia and in Africa). Others were drained of almost one half of the growth in their educated workforce (for instance, Israel during the 1980s).

Brains are an ideal natural resource: they can be cultivated, directed, controlled, manipulated, regulated. They are renewable and replicable. Brains tend to grow exponentially through interaction and they have an unparalleled economic value added. The profit margin in knowledge and information related industries far exceeds anything common to more traditional, second wave, industries (not to mention first wave agriculture and agribusiness).

What is even more important:

Poor countries are uniquely positioned to take advantage of this third revolution. With cheap, educated workforce - they can monopolize basic data processing and telecommunications functions worldwide. True, this calls for massive initial investments in physical infrastructure. But the important input is the wetware, the brains. To constrain them, to disappoint them, to make them run away, to more merit-orientated places - is to sentence oneself to a permanent disadvantage and deprivation.

This is what the countries in the Balkans are doing. Driving away the best part of their population by encouraging the worst part. Abandoning their future by dwelling on their past. Caught in a fatal spider web of family connections and political cronyism of their own design. Their factories and universities and offices and government filled to the brim with third-rate relatives of third-rate professors and bureaucrats. Turning themselves into third-rate countries in a self-perpetuating, self-feeding process of decline. And all the while

eyeing the new and the foreign with the paranoia that is the result of true guilt.

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## Quis Custodiet Ipsos Custodes?

(Who is Guarding the Guards?)

Izetbegovic, the nominal president of the nominal Bosnian state, the darling of the gullible western media, denies that he and his cronies and his cronies' cronies stole 40% of all civilian aid targeted at Bosnia - a minor matter of 1 billion US dollars and change, in less than 4 years. The tribes of the Balkans stop bleeding each other to death only when they gang up to bleed another. In this, there are no races and no traces - everyone is equal under the sign of the dollar. Serbs, Bosnians and Croats divided the loot with the loftiest of egalitarian instincts. Honour among thieves transformed into honour among victims and their murderers. Mammon is the only real authority in this god forsaken, writhing rump of a country.

And not only there.

In Russia, billions (3 to 5) were transferred to secret off shore bank accounts to be "portfolio managed" by mysterious fly-by-night entities. Many paid with their jobs when the trail led to the incestuous Yeltsin clan and their Byzantine court.

Convoys snake across the mountainous Kosovo, bringing smuggled goods at exorbitant prices to the inhabitants of this parched territory - all under the avuncular gaze of multinational peacekeepers.

In Romania, Hungary and Greece, UN forces have been known to take bribes to allow goods into besieged Serbia. Oil, weapons and strategic materials, all slid across this greasy channel of the international brotherhood of cash.

A lot of the aid, ostensibly intended to ameliorate the state of refugedom imposed upon the unsuspecting, harried population of Kosovo - resurfaced in markets, white and black, across the region.

Food, blankets, tents, electrical equipment, even toys - were on offer in bazaars from Skopje to Podgorica and from Sofia to Thessalonica, replete with the stamps of the unwitting donors. Aid workers scurried back and forth in expensive utility vehicles, buzzing mobile phones in hand and latest model, officially purchased, infrared laptops humming in the air conditioned coolness of their five star hotel rooms (or fancy apartments). In their back pockets they safeguarded their first class tickets (the food is better and the stewardesses...). The scavengers of every carnage, they descended upon this tortured land in redundant hordes, feeding off the misery, the autoimmune deficiency of the syndrome of humanism.

Ask yourselves: how could one of every 3 dollars - 50% of GNP - be stolen in a country the size of a tiny American state - without the knowledge and collaboration of the international organizations which ostensibly manage this bedlam? Why did the IMF renew the credit lines to a Russia, which cheated bold-facedly regarding its foreign exchange reserves? How was Serbia awash and flush with oil and other goods prohibited under the terms of the never-ending series of embargoes imposed upon it?

The answer is that potent cocktail of fear and graft. First came fear - that Russia will collapse, that the Balkans will spill over, that Bosnia will disintegrate. Nuclear nightmares intermingled with Armenian and Jewish flashbacks of genocide. The west shut its eyes tight and threw money at the bad spirits of irredentism and re-emergent communism. The long arm of the USA, the "international" financial institutions, collaborated in constructing the habit forming dole house that Eastern and Southern Europe has become. This conflict-reticence, these approach-avoidance cycles led to an inevitable collusion between the ruling mob families that pass for regimes in these parts of the planet - and the unilateral institutions that pass for multilateral ones in the rest of it. An elaborate system of winks and nods, the sign language of institutional rot and decaying governance, took over. Greasy palms clapped one another with the eerie silence of conspiracy. The world looked away as both - international financial institutions and corrupt regimes - robbed their constituencies blind. This was perceived to be the inevitable moral

cost of stability. Survival of the majority entailed the filthy enrichment of the minority. And the west acquiesced.

But this grand design backfired. Like insidious bacteria, corruption breeds violence and hops from host to host. It does not discriminate, this plague of black conscience, between east and west. As it infected the indigenous, it also affected their guardians. They were all engulfed by raging greed, by a degradation of the inhibitions and by the intoxicating promiscuity of lawlessness. Inebriated by their newly found powers, little Caesars - natives and financial colonialists - claimed their little plots of crime and avarice, a not so secret order of disintegration of the social fabric. A ghoulish landscape, shrouded in the opaque mist of the nomenclature, the camaraderie of the omnipotent.

And corruption bred violence. The Chicago model imported lock, stock and the barrel of the gun. Former cronies disappeared mysteriously, bloated corpses in stale hotel rooms - being the only "contracts" honoured. Territories were carved up in constant, unrelenting warfare. One billion dollars are worth a lot of blood and it was spilled with glee, with the enthusiasm of the inevitable, with the elation of gambling all on a single spin of the Russian roulette.

It is this very violence that the west tried to drown with its credits. But unbeknownst to it, this very violence thrived on these pecuniary fertilizers. A plant of horrors, it devoured its soil and its cultivators alike. And 120,000 people paid with their lives for this wrong gamble. Counting its losses, the west is poised to spin the wheel again. More money is amassed, the dies are cast and more people cast to die.

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## Herzl's Butlers

James Cook misled the British government back home by neglecting to report about the aborigines he spotted on the beaches of New Holland. This convenient omission allowed him to claim the territory for the crown. In the subsequent waves of colonization, the aborigines perished. Modern Australia stands awash in their blood, constructed on their graves, thriving on their confiscated lands. The belated efforts to redress these wrongs meet with hostility and the atavistic fears of the dispossessor.

In "Altneuland" (translated to Hebrew as "Tel Aviv"), the feverish tome composed by Theodore Herzl, Judaism's improbable visionary - Herzl refers to the Arabs as pliant and compliant butlers, replete with gloves and turbushes. In the book, a German Jewish family prophetically lands at Jaffa, the only port in erstwhile Palestine. They are welcomed and escorted by "Briticized" Arab gentlemen's gentlemen who are only too happy to assist their future masters and colonizers to disembark.

In between these extremes - of annihilation and assimilation - modern Europe has come up with a plethora of models and solutions to the question of minorities, which plagued it and still does. Two schools of thought emerged: the nationalistic-ethnic versus the cultural.

Europe has always been torn between centrifugal and centripetal forces. Multi-ethnic empires alternated with swarms of mini-states with dizzying speed. European Unionism clashed with brown-turning-black nationalism and irredentism. Universalistic philosophies such as socialism fought racism tooth and nail. European history became a blood-dripping pendulum, swung by the twin yet conflicting energies of separation and integration. The present is no different. The

dream of the European Union confronted the nightmare of a dismembered Yugoslavia throughout the last decade. And ethnic tensions are seething all across the continent. Hungarians in Romania, Slovakia, Ukraine and Serbia, Bulgarians in Moldova, Albanians in Macedonia, Russians in the Baltic countries, even Padans in Italy and the list is long.

The cultural school of co-existence envisaged multi-ethnic states with shared philosophies and value systems, which do not infringe upon the maintenance and preservation of the ethnic identities of their components. The first socialists adopted this model enthusiastically. They foresaw a multi-ethnic, multi-cultural socialist mega-state. The socialist values, they believed, will serve as the glue binding together the most disparate of ethnic elements. In the event, it took a lot more than common convictions. It took suppression on an unprecedented scale and it took concentration camps and the morbid application of the arts and sciences of death. And even then both the Nazi Reich and the Stalinist USSR fell to ethnic pieces.

The national(istic) school supports the formation of ethnically homogenous states, if necessary, by humane and gradual (or inhuman and abrupt) ethnic cleansing. Homogeneity is empirically linked to stability and, therefore, to peace, economic prosperity and oftentimes to democracy. Heterogeneity breeds friction, hatred, violence, instability, poverty and authoritarianism. The conclusion is simple: ethnicities cannot co-exist. Ethnic groups (a.k.a. nations) must be left to their own devices, put differently: they must be allocated a piece of land and allowed to lead their lives as they see fit. The land thus allocated should correspond, as closely as possible, with the birthplace of the nation, the scenery of its past and the cradle of its culture.

The nationalist school depended on denial and repression of the existence of heterogeneity and of national minorities. This was done by:

a. ***Ethnic Cleansing***

Greece and Turkey exchanged population after the First World War. Czechoslovakia expelled the Sudeten Germans after the

Second World War and the Nazis rendered big parts of Europe Judenrein. Bulgarians forced Turks to flee. The Yugoslav succession wars were not wars in the Clausewitz sense - rather they were protracted guerrilla operations intended to ethnically purge swathes of the "motherland".

b. ***Ethnic Denial***

In 1984, the Bulgarian communist regime forced the indigenous Turkish population to "Bulgarize" their names. The Slav minorities in the Hungarian part of the Austro-Hungarian Empire were forced to "Magyarize" following the 1867 Compromise. Franco's Spain repressed demands for regional autonomy. Other, more democratic states fostered a sense of national unity by mass media and school indoctrination. Every facet of life was subjected to and incorporated in this relentless and unforgiving pursuit of national identity: sports, chess, national holidays, heroes, humour. The particularisms of each group gained meaning and legitimacy only through and by their incorporation in the bigger picture of the nation. Thus, Greece denies to this very day that there are Turks or Macedonians on its soil. There are only Muslim Greeks, it insists (often brutally and in violation of human and civil rights). The separate identities of Brittany and Provence were submerged within the French collective one and so was the identity of the Confederate South in the current USA. Some call it "cultural genocide".

The nationalist experiment failed miserably. It was pulverized by a million bombs, slaughtered in battlefields and concentration camps, set ablaze by fanatics and sadists. The pendulum swung. In 1996, Hungarians were included in the Romanian government and in 1998 they made it to the Slovakian one. In Macedonia, Albanian parties took part in all the governments since independence. The cultural school, on the ascendance, was able to offer three variants:

1. ***The Local Autonomy***

Ethnic minorities are allowed to use their respective languages in certain municipalities where they constitute more than a given percentage (usually twenty) of the total population.



Official documents, street signs, traffic tickets and education all are translated to the minority language as well as to the majority's. This rather meaningless placebo has a surprisingly tranquillizing effect on restless youth and nationalistic zealots. In 1997, police fought local residents in a few Albanian municipalities precisely on this issue.

## 2. *The Territorial Autonomy*

Ethnic minorities often constitute a majority in a given region. Some "host" countries allow them to manage funds, collect taxes and engage in limited self-governance. This is the regional or territorial autonomy that Israel offered to the Palestinians (too late) and that Kosovo and Vojvodina enjoyed under the 1974 Yugoslav constitution (which Milosevic shredded to very small pieces). This solution was sometimes adopted by the nationalist competition itself. The Nazis dreamt up at least two such territorial "final solutions" for the Jews (one in Madagascar and one in Poland). Stalin gave the Jews a decrepit wasteland, Birobidjan, to be their "homeland". And, of course, there were the South African "homelands".

## 3. *The Personal Autonomy*

Karl Renner and Otto Bauer advanced the idea of the individual as the source of political authority - regardless of his or her domicile. Between the two world wars, Estonia gave personal autonomy to its Jews and Russians. Wherever they were, they were entitled to vote and elect representatives to bodies of self-government. These had symbolic taxation powers but exerted more tangible authority over matters educational and cultural. This idea, however benign sounding, encountered grave opposition from right and left alike. The right wing "exclusive" nationalists rejected it because they regarded minorities the way a sick person regards his germs. And the left wing, "inclusive", nationalists saw in it the seeds of discrimination, an anathema.

How and why did we find ourselves embroiled in such a mess?

It is all the result of the wrong terminology, an example of the power of words. The Jews (and Germans) came up with the

"objective", "genetic", "racial" and "organic" nation. Membership was determined by external factors over which the member-individual had no control. The French "civil" model - an 18th century innovation - regarded the nation and the state as voluntary collectives, bound by codes and values, which are subject to social contracts. Benedict Anderson called the latter "imagined communities".

Naturally, it was a Frenchman (Ernest Renan) who wrote:

*"Nations are not eternal. They had a beginning and they will have an end. And they will probably be replaced by a European confederation."*

He was referring to the fact that nation STATES were nothing but (at the time) a century old invention of dubious philosophical pedigree. The modern state was indeed invented by intellectuals (historians and philologists) and then solidified by ethnic cleansing and the horrors of warfare. Jacob Grimm virtually created the chimeral Serbo-Croat "language". Claude Fauriel dreamt up the reincarnation of ancient Greece in its eponymous successor. The French sociologist and anthropologist Marcel Mauss remarked angrily that *"it is almost comical to see little-known, poorly investigated items of folklore invoked at the Peace Conference as proof that the territory of this or that nation should extend over a particular area because a certain shape of dwelling or bizarre custom is still in evidence"*. Archaeology, anthropology, philology, history and a host of other sciences and arts were invoked in an effort to substantiate a land claim. And no land claim was subjected to a statute of limitations, no subsequent conquest or invasion or settlement legitimised. Witness the "Dacian wars" between Hungary and Romania over Transylvania (are the Romanians latter day Dacians or did they invade Transylvania long after it was populated by the Hungarians?). Witness the Israelis and the Palestinians. And, needless to add, witness the Serbs and the Albanians, the Greeks and the Macedonians and the Macedonians and the Bulgarians.

Thus, the modern nation-state was a reflection of something more primordial, of human nature itself as it resonated in the national founding myths (most of them fictitious or contrived). The supra-national dream is to many a nightmare. Europe is fragmenting into

micro-nations while unifying its economies. These two trends are not mutually exclusive as is widely and erroneously believed. Actually, they are mutually reinforcing. As the modern state loses its major economic roles and functions to a larger, supranational framework - it loses its legitimacy and its *raison d'etre*.

The one enduring achievement of the state was the replacement of allegiance to a monarch, to a social class, to a region, or to a religion by an allegiance to a "nation". This subversive idea comes back to haunt itself. It is this allegiance to the nation that is the undoing of the tolerant, multi-ethnic, multi-religious, abstract modern state. To be a nationalist is to belong to ever smaller and more homogenous groups and to dismantle the bigger, all-inclusive polity, which is the modern state.

Indeed, the state is losing in the battlefield of ideas to the other two options: micro-nationalism (homogeneous and geographically confined) and reactionary affiliation. Micro-nationalism gave birth to Palestine and to Kosovo, to the Basque land and to Quebec, to regionalism and to local patriotism. It is a fragmenting force. Modern technology makes many political units economically viable despite their minuscule size - and so they declare their autonomy and often aspire to independence.

Reactionary Affiliation is cosmopolitan. Think about the businessman, the scholar, the scientist, the pop star, the movie star, the entrepreneur, the arbitrageur and the Internet. People feel affiliated to a profession, a social class, a region, or a religion more than they do to their state. Hence the phenomena of ex-pats, mass immigration, international managers. This is a throwback to an earlier age when the modern state was not yet invented. Indeed, the predicament of the nation-state is such that going back may be the only benign way of going forward.

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# The Phlegm and the Anima

## An Impressionistic Canvass

### *The Calamity*

It often rains in Skopje nowadays. Sudden, thunderous outpourings of acidulous and gluey fluid. People say it is the pollution from 12,000 tonnes of bombs dropped 20 km from here. The unions warn of a hot autumn. The omens are ominous. It looks like an economic crash rather than a soft landing. Tony Blair was here a while ago. He photo opportunities with photogenic refugees and promised the soft spoken and dreamy eyed Prime Minister of Macedonia 20 million British Pounds. The money never came. Blair's promise went the way of thousands of other promises made by the good and the mighty throughout the history of this melancholy part of the globe.

Emir Kusturice compared the Balkans to an island, drifting listlessly, receding wedding music in the background. It is heart rending and often provokes in me a tsunamic pity, an earthquake of goodwill. The locals are adept at using this resonance, at taking advantage of foreigners vulnerable to their music, to their costumes, to their rustic shrewdness.

In 1963, upon the occasion of a particularly malicious earthquake, which levelled Skopje - they rebuilt it from generous foreign donations. The message sank in: foreigners love disasters, natural and manmade. Foreigners are willing to shell hard currency for this indulgence. The harder the catastrophe - the harder the currency. Thus, calamities became an export industry, a major earner of foreign exchange, the opportunity of a lifetime for a few in exchange for the misery of the many.

### ***The Aftermath***

Music drifts in with the fragrances of decaying blossoms and with corpulent mosquitoes. The fragmented echoes of animated discussions. People here talk with their whole bodies. They lean forward and touch their conversants. When they meet or depart they kiss each other on the cheeks and hug passionately. It was, therefore strange to see the body language of the octogenarian president of Macedonia with his much younger Albanian counterpart. They stood apart and made diametrically opposed declarations about the future of Kosovo. Watching the old communist apparatchik Gligorov, I was reminded of Milosevic when he announced the Serb victory in operation Allied Force. He stood so rigid, as though about to break and leaned towards the camera, creating an eerie fish lens effect. Balkanians are not proud people, they are adaptable. But, in an effort to compensate for a deep-set inferiority complex, they react with vanity and narcissism. Co-existence here has never been an easy proposition and the Americans forced strange bedfellows upon each other. Accustomed to the imposing ways of superpowers, the Balkan bowed its head. But it is a contemptuous gesture. Balkanians aim to win through their surrender. They always harbour hidden agendas. Knowing this, they are also paranoid but, as distinct from the classic pathology, they do have enemies. The Balkan will wait until America joins Rome and Turkey. The only commodity it has aplenty is time. So now Gligorov and Mejdani shake hands but they both know the long knives are drawn. They both will wait for the intruders to depart, which will then go on with that traditional pastime of Balkan rulers: slaughtering each other.

### ***The War Chests***

Thaci found himself with plenty of returning refugees, meddlesome peacekeepers and houses burned to their basements. He also found himself with very little money. Rugova and Bukoshi, on the other hand, have access to funds but very few adherents. Rugova's decline did not start in March 1999. It started long ago when he objected even to peaceful student demonstrations (which the Serbs found tolerable). It was then clear that if there ever was any distinction

between his pacifism and traitorous, collaborationist cowardice - it has long vanished. People deserted him in droves and in Rambouillet, it was Thaci who headed the Kosovar delegation, not his elder rival.

So now Thaci needs money. One way is to collect taxes, as Rugova did. Another is to monopolize the business interests of Kosovo. He set himself upon this task no less ferociously than he did fighting the Serbs. In collaboration with Albanian politicians (government supporters) and with Macedonian politicians of Albanian descent, he began to take over lucrative trades and economic activities both in Kosovo and in its neighbours. The Berisha (Albanian opposition) crowd regard him as an imminent danger. They believe his aim is to become the President of a Greater Albania comprising Albania and Kosovo (though not Macedonia, a new found and perhaps short lived ally). This is a recipe for a civil war, the second one within two years in Albania. The first one erupted after the life savings of one third of the population were squandered by a cronyist group of investment houses in pyramid schemes.

### *The Spoils*

The Greeks are grabbing Macedonian property: real estate, banks, factories, and a refinery, perhaps the Macedonian Telecom. They pay outlandishly cheap prices. The Macedonians are on their knees, reduced by the war to a loosely connected network of bartering businesses. While plundering, the Greeks do not refrain from political arm-twisting. They vetoed Macedonia's application to become the centre of the reconstruction of Kosovo and then proceeded to propose Thessalonica (Saloniki) - a proposal adopted by the EU. They also refuse to call Macedonia by its constitutional name, forcing the impossible acronym FYROM on the international community. The next logical target is Serbia. To the Greek businessmen, Kosovo is lost due to the brutal treatment of Albanian refugees in Greece and the expressed pro-Serb sympathies of the Greek main street.

Thus, strange, chimeral alliances emerge. They are likely to prove as ephemeral as their predecessors, to melt away in the searing heat of the Balkanian summer. But while they last they give one pause.

The Russians and two NATO members, Greece and Italy, are likely to defy America and enthusiastically embark upon the lucrative reconstruction of devastated Serbia. Financed by German money through the inefficient and corrupt money transfer mechanism known as the EU, German businesses are not likely to tolerate this Christian Orthodox monopoly. They will join the fray, to America's increasing dismay and chagrin. American firms, on the other hand, will probably not be allowed to undo the damage their government wrought. Left out of the game, America will try to spoil it. It might well succeed, for it controls the strings of the American purses known as IMF and World Bank. Americans never hesitate to bully and to blackmail where money is involved.

The Russians are preparing to supply Serbia with new military technology as do other rogue states. Greece is secretly negotiating with Iran. Serb leaders visit Iraq. Russians are meeting North Koreans. So do the Chinese. Russian aircraft breach NATO's airspace. The Europeans are hastily forming their own defence alliance and finally appointed Mr. PESC, the long awaited EU foreign policy supremo. The ramblings of a new cold war (the world against the USA) are clearly audible to the attentive ear. In the margins more minor players such as Israel position themselves to counter what they regard as dangerous liaisons between Pakistani, Afghani and Albanian Islamic fundamentalist, terrorist cum drug concerns (sometimes in the guise of aid organizations). Bin Laden is in the area. Every secret service, every crime organization, every terrorist group, every liberation movement, every weapons dealer, every drug pusher are here, eager not to miss the unfolding action.

These wrangles will surely depress investors' appetites. They will not increase the pledges in bow tied donor conferences either. Good money (investments and international aid) rarely follows bad one (crime and weapons trading, for example).

The Balkan countries stand to get a small fraction of the magnificent and magnanimous and generous promises made to them in the heat of the battle. The Balkan will be forgotten because it refuses to reform, because it is obstreperous. The number of officials visiting will decline. The journalists will beat a path to other

blazes. The local politicians, pampered by the likes of Clinton and the CNN will revert unwillingly to their petty squabbles and ragged local papers. In a few months, it is will all seem like a mirage. It will all sink into the fertile soil of this luscious region, fertilized by countless bodies and bloody rivulets. The great togetherness will evaporate leaving behind the putrid fumes of re-emerging, centuries old, grudges and suspicions. The people will complain. The leaders will thief and collaborate with organized crime. The criminals will prosper. The farmers will toil their land and intellectuals will conspire. It is the Balkans where nothing changes.

And nothing ever will.

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## The Dance of Jael

*"Envy is forever looking upwards. It does not look sideways. In 'Facial Justice' Hartley (1960) describes a life after a catastrophic war. A Dictator has decreed that envy is so destructive that it has to be eliminated. The citizens are coerced to be as alike each other as possible. The worst crime is not envy itself but to excite envy. 'Equality and Envy - the two E's were...the positive and negative poles on which the New State rotated' (p.12). In order to exterminate envy everything that was enviable has been destroyed. Of course that in itself is the very essence of envy. Neither envy nor equality are spoken of as words but referred to as Good and Bad E. All tall buildings had been destroyed in the war except the tower of Ely Cathedral and none are allowed to be built - a horizontal view of life is required. No comparisons are to be made, women are encouraged to undertake an operation so they all looked alike, to be pretty would excite envy. The result is that the populace loses its humanity and becomes a non-thinking mass. The independently minded heroine, Jael, visits the Ely and looks up at the tower and leads a dance round it. She pays the price of having her more than averagely pretty face (an Alpha face) changed to a Beta face by cosmetic surgery and so made indistinguishable from the others."*

(From "Cronos and His Children - Envy and Reparation" by Mary Ashwin - Chapter II "Everyday Envy")

The distinction between fiction and non-fiction became ever subtler in the "Underground" world of post-socialism, "After the Rain" of communism. In a lethal embrace, in an act of unprecedented intercourse, literature penetrated reality as only the most fervent lovers or the most avid haters do. A topsy-turvy continent adrift

among the gales of newspeak, under the gaze of a million grey bureaucrats passing for big brothers. A motion picture gone awry: the plot long forgotten, the actors wondering forlornly on a dilapidated scene and the credits flashing over and again, in an endless loop.

This crazed landscape, this party of mad hatters, where time stood still was the result of the two great equalizers: oppression and ideology. The substrate of numerous experiments of groups without control, the inhabitants of these feverish lands internalised their own predicament. The broken toys of spoiled imperial children, the guinea pigs of scientific materialism and then of materialism only - they strutted around, eyes wide shut, ears clogged, mouths stapled, lips sown with the wire of terror. Everyone was equal under their occupiers, their tormentors, and their slave masters. And everyone was equal by decree, on pain of death or exile, by the horror-stricken conviction called ideology. To succumb to the former was to survive - to subscribe to the latter was to flourish. Many flourished.

The New Oxford Dictionary of English defines envy as: "*A feeling of discontented or resentful longing aroused by someone else's possessions, qualities, or luck.*" And an earlier version (The Shorter Oxford English Dictionary) adds: "*Mortification and ill will occasioned by the contemplation of another's superior advantages.*" Pathological envy - the second deadly sin - is a compounded emotion. It is brought on by the realization of some lack, deficiency, or inadequacy in oneself. It is the result of unfavourably comparing oneself to others: to their success, their reputation, their possessions, their luck, and their qualities. It is misery and humiliation and impotent rage and a tortuous, slippery path to nowhere. The effort to break the padded walls of this self-visited purgatory often leads to attacks on the perceived source of frustration.

Pathological envy is THE driving force of post-communist Central and Eastern Europe. Unable to cope with the sudden shift in values from enforced and artificial equality to primitive, pirate capitalism - the populace retreated to acrimony and bitterness. Faced with the chasmic inequalities engendered by the serial collective robberies

known as "privatisation" - it reacted with suppressed rage, with despair, with the multiple sadness which is nostalgia. The land has split between a colourful, dynamic, rapacious and omnivorous class - and the sepia-like and quaint backdrop of their compatriots. As the castles of the former rose - so were the abodes of the latter humbled.

The resentment led to fears of abandoning one's self-control, of confronting one's rulers and their cronies, of losing even the little one was allowed to possess. It was a muted mutiny, a rebel-less rebellion, a static trip from guilt to hate. To maintain these seething undercurrents from erupting, to avoid the volcanic tremors that precede every revolution - behaviour was formalized and ritualised. Speech became ever vaguer and ambiguous. Effective communication was halted. The community splintered and the very fabric of society was consumed by this massive act of dissociation.

Pathological envy mutated into solutions the envious could live with.

Some sought to imitate or even emulate the newfound heroes of the capitalist revolution. They immersed themselves in conspicuous consumption, the badly matched purchases of the nouveaux riches replete with the vulgar manners of unrefined power. They adhered to coarse materialism with its confusion of ends and means. They suffered the ever-present agitation of envy, the constant comparison to one's superiors, the plagued rat race. To get rich quick through schemes of crime and corruption is thought by these people to be the epitome of cleverness (providing one does not get caught), the sport of living, a winked-at vice, a spice.

Yet others embarked on paths of rivalry and enmity and destruction. This hydra has many heads. From scratching the paint of new cars and flattening their tyres, to spreading vicious gossip, to media-hyped arrests of successful and rich businessmen, to wars against advantaged neighbours. The stifling, condensed vapours of envy cannot be dispersed. They invade their victims and snatch their rageful eyes, their calculating souls, they guide their hands in evil doings and dip their tongues in vitriol. This is the day-to-day existence in places as far apart as Moscow and the Balkans. A

constant hiss, a tangible malice, the piercing of a thousand eyes. The imminence and immanence of violence. The poisoned joy of depriving the other of that which you do not or cannot have.

There are those who idealize the successful and the rich and the lucky. They attribute to them super-human, almost divine, qualities. They think of serendipity as earned, of work as bestowed, of success as deserved and reserved to the deserving. In an effort to justify the agonizing disparities between themselves and others, they humble themselves as they elevate the others. They reduce and diminish their own gifts, they disparage their own achievements, they degrade their own possessions and look with disdain and contempt upon their nearest and dearest, who are unable to discern their fundamental shortcomings. They feel worthy only of abasement and punishment. Besieged by guilt and remorse, voided of self-esteem, self-hating and self-deprecating - this is by far the more dangerous species. For he who derives contentment from his own humiliation cannot but derive happiness from the downfall of others. Indeed, most of them end up driving the objects of their own devotion and adulation to destruction and decrepitude.

But the most common reaction is the good old cognitive dissonance. In Central and Eastern Europe, entire societies are in its grip. It is to prefer the belief that the grapes are sour to the admission of their desirability. These people devalue the source of their frustration and envy. They find faults, unattractive features, high costs to pay, immorality in everything they really most desire and aspire to and in everyone who has attained that which they so often can't. They walk around critical and self-righteous, inflated with a justice of their making and secure in the wisdom of being what they are rather than what they could have been and really wish to be. They make a virtue of abstention, of wishful constipation, of judgmental neutrality, this oxymoron, the favourite of the disabled.

Topped by a thin layer of coagulated fat, a bubble of enraged and maddened envy is boiling underneath - from Murmansk to Athens and from Prague to Dresden. Will it burst and spill over or will it only noisily release its steam is anybody's guess. It is a force to reckon with. The tide of capitalism has lifted few yachts and no one else's

boats. People feel cheated. They feel used and abused. They feel conned out of their dignity and their possessions and their future. They look around and see island castles surrounded by oceans of physical and moral filth. This is no decadence because it has no aesthetic values to ameliorate it. It is as ugly as the survival of the thieftest. As Central and Eastern Europe engages, for the first time, in serious restructuring - the social costs will mount dramatically and so will inequality. The process can be reversed only by the redistribution of wealth. But that it will be achieved through progressive taxation rather than through a bloodbath is not a foregone conclusion.

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## Homo Balkanus

How does one respond to a torrent of belligerent correspondence from Balkanians arguing against the belligerence of Balkanians asserted by one in one's articles? Were it not sad, it surely would have been farcical. Only yesterday (August 17th, 1999 - five months after the Kosovo conflict) Macedonian papers argued fiercely, vehemently and threateningly against an apparently innocuous remark by Albania's Prime Minister. He said that all Albanians, wherever they are, should share the same curriculum of studies. A preparatory step on the way to a Greater Albania perhaps? In this region of opaque mirrors and "magla" (fog) it is possible. And what is possible surely IS.

I do not believe in the future of this part of the world only because I know its history too well. Every psychologist will tell you that past violent behaviour is the best predictor of future recidivism. Homo Balkanus is lifted straight off the rustling pages of the Diagnostic and Statistics Manual (DSM) version IV (1994) - the bible of the psychiatric profession:

"A pervasive pattern of grandiosity (in fantasy or behaviour), need for admiration, and lack of empathy, beginning by early adulthood and present in a variety of contexts, as indicated by five (or more) of the following:

1. Has a grandiose sense of self-importance (e.g., exaggerates achievements and talents, expects to be recognized as superior without commensurate achievements);
2. Is preoccupied with fantasies of unlimited success, power, brilliance, beauty, or ideal love;

3. Believes that he or she is 'special' and unique and can only be understood by, or should associate with, other special or high-status people (or institutions);
4. Requires excessive admiration;
5. Has a sense of entitlement, i.e., unreasonable expectations of especially favourable treatment or automatic compliance with his or her expectations;
6. Is interpersonally exploitative, i.e., takes advantage of others to achieve his or her own ends;
7. Lacks empathy: is unwilling to recognize or identify with the feelings and needs of others;
8. Is often envious of others or believes that others are envious of him or her;
9. Shows arrogant, haughty behaviours or attitudes."

Narcissism is a result of stunted growth and of childhood abuse. It is a reactive pattern, the indelible traces of an effort to survive against all odds, against bestial repression and all-pervasive decay. Brutally suppressed by the Turks for hundreds of years and then by communism in some countries and by cruel, capricious banana republic regimes in others - Homo Balkanus has grown to be a full-fledged narcissist.

The nation state structure and ideology enthusiastically adopted by Homo Balkanus in the wake of the collapse of the rotten Ottoman edifice - has proven to be a costly mistake. Tribal village societies are not fit for the consumption of abstract models of political organization. This is as true in Africa as it is in the Balkans. The first allegiance of Homo Balkanus is to his family, his clan, and his village. Local patriotism was never really supplanted by patriotism. Homo Balkanus shares an Ottoman unconscious with his co-regionists. The "authorities" were and are always perceived to be a brutal, menacing and unpredictable presence, a natural power, to be resisted by the equal employment of cunning and corruption. Turkish habits die hard. The natives find it difficult not to bribe their way through their own officialdom, to pay taxes, not to litter, to volunteer, in short: to be citizens, rather than occupants or inhabitants. Their passive-aggressive instincts are intact and on autopilot.

The Balkanian experiment with nation states has visited only misery and carnage upon the heads of its perpetrators. Borders tracked convulsively the movements of half-nomad populations. This instability of boundaries led to ethnic cleansing, to numerous international congresses, to fitful wars. In an effort to justify a distinct existence and identity, thousands of "scholars" embarked on Herculean efforts of inventing histories for their newly emergent nations. Inevitably, these histories conflicted and led to yet more bloodshed. A land fertilized by blood produces harvests of bloated corpses.

In the Balkans people fight for their very own identity. They aspire to purity, albeit racial, and to boundaries, albeit of the abstract kind. It is, perhaps, the kernel of this Greek tragedy: that real people are sacrificing real people on the altar of the abstract. It is a battle of tastes, a clash of preferences, an Armageddon of opinions, judgements, and lessons. Armies are still moved by ancient events, by symbols, by fiery speeches, by abstract, diffuse notions. It is a land devoid of its present, where the past and future reign supreme. No syllogism, no logic, no theory can referee that which cannot be decided but by the compelling thrust of the sword. "We versus They" - they, the aliens. Threatened by the otherness of others, Homo Balkanus succumbs to the protection of the collective. A dual track: an individualist against the authorities - a mindless robot against all others, the foreigners, the strangers, the occupiers. The violent acting out of this schizophrenia is often referred to as "the history of the Balkans".

This spastic nature was further exacerbated by the egregious behaviour of the superpowers. Unfortunately possessed of strategic import, the Balkan was ravaged by geopolitics. Turks and Bulgarians and Hungarians and Austrians and Russians and Britons and Germans and Communists and the warplanes of NATO - the apocalyptic horsemen in the mountains and rivers and valleys and sunsets of this otherworldly, tortured piece of land. Raped by its protectors, impregnated by the demon seeds of global interests and their ruthless pursuit - the Balkan was transformed into a horror chamber of amputated, zombie nations, a veritable hellish scene. Many a



Pomeranian grenadier bequeathed their bones to the Balkans but Pomeranian grenadiers came and went while the people of the Balkan languished.

Thus, it was not difficult to foster a "We" against every "They" (or imagined "They"). A crossroads of fault lines, a confluence of tectonic clashes - the Balkan always obliged.

Religion came handy in this trade of hate. Orthodox Serbs fought Muslim Serbs in Bosnia (the latter were forced to convert by the Turks hundreds of years ago). Catholic Croats fought Orthodox Serbs. And Bulgarians (a Turkic tribe) expelled the Turks in 1989, having compelled them to change their Muslim names to Bulgarian sounding ones in 1984.

Race was useful in the agitated effort to prevail. Albanians are of Illyrian origin. The Greeks regard the Macedonians as upstart Slavs. The Bulgarians regard the Macedonians as rebel Bulgarians. The Macedonian regard the Bulgarians as Tartars (that is, Barbarian and Turkish). The Slovenes and the Croats and, yes, the Hungarians claim not to belong in this cauldron of seething, venomous emotions.

And culture was used abundantly in the Balkan conflicts. Where was the Cyrillic alphabet invented (Macedonia, Greece, Bulgaria) and by whom (Greeks, Macedonians, Bulgarians). Are some nations mere inventions? (The Bulgarians say this about the Macedonians). Are some languages one and the same? Minorities are either cleansed or denied out of existence. The Greek still claim that there are no minorities in Greece, only Greeks with different religions. The Bulgars in Greece used to be "Bulgarophone Greeks". The Balkan is the eternal hunting grounds of oxymorons, tautologies and logical fallacies.

It is here that intellectuals usually step in (see my article: "The Poets and the Eclipse"). But the Balkan has no intelligentsia in the Russian or even American sense. It has no one to buck the trend, to play the non-conforming, to rattle, to provoke, to call upon one's conscience. It does not have this channel to (other) ideas and view called "intellectuals". It is this last point, which makes me the most pessimistic. The Balkan is a body without a brain.

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## The MinMaj Rule

I have a Roma (gypsy) cleaning lady. She cleans my house every fortnight. She is nice and well spoken. She values education and good manners. She is spotless, obsessively purgatory, and compulsively tidy. And she hates "shiptars" (the derogatory name assigned to Macedonian Albanians). They are dirty, she says, and criminal and they have too many children. They don't respect their women. She is afraid of them. Her eyes glow with the gratification of the underdog turned top dog, if only verbally, if only for a while, if only while cleansing my house. This is the way it is, a chain of abuse, a torrent of prejudice, an iron curtain of malice and stereotyping. Czechs portray "their" gypsies with the same lingual brushstrokes, the same venomous palette, a canvass of derision and atavistic, reflexive hatred.

In the Balkans reigns supreme the Law of the MinMaj. It is simple and it was invariably manifested throughout history. It is this: "Wars erupt whenever and wherever a country has a minority of the same ethnicity as the majority in its neighbouring country."

Consider Israel - surrounded by Arab countries, it has an Arab minority of its own, having expelled (ethnically cleansed) hundreds of thousands more. It has fought 6 wars with its neighbours and (good intentions notwithstanding) looks set to fight more. It is subjugated to the Law of the MinMaj, enslaved by its steady and nefarious domination.

Or take Nazi Germany. World War Two was the ultimate manifestation of the MinMaj Law. German minorities throughout Europe were either used by Germany - or actively collaborated with it - to justify one Anschluss after another. Austria, Czechoslovakia, Poland, France, Russia - a parade of Big Brotherly intervention by

Germany on behalf of allegedly suppressed kinfolk. Lebensraum and Volkdeutsch were twin pillars of Nazi ideology.

And, of course, there is Yugoslavia, its charred remnants agonizingly writhing in a post Kosovo world. Serbia fought Croatia and Bosnia and Kosovo to protect besieged and hysterical local Serbs. Croats fought Serbs and Bosnians to defend dilapidated Croat settlements. Albanians fought the Serbs through the good services of Kosovars in order to protect Kosovars. And the fighting is still on. This dismembered organism, once a flourishing country, dazed and scorched, still attempts to blindly strike its former members, inebriated by its own blood. Such is the power of the MinMaj.

There are three ways out from the blind alley to which the MinMaj Rule inevitably and invariably leads its adherents. One exit is through ethnic cleansing, the other via self-determination, the third is in establishing a community, a majority of minorities.

Ethnic cleansing is the safest route. It is final, irreversible, just, fast, easy to carry out and preventive as much as curative. It need not be strewn with mass graves and smouldering villages. It can be done peacefully, by consent or with the use of minimal force. It can be part of a unilateral transfer or of a bilateral exchange of population. There are many precedents - Germans in the Ukraine and in Czechoslovakia, Turks in Bulgaria, Jews in the Arab countries. None of them left willingly or voluntarily. All were the victims of pathological nostalgia, deep, disconsolate grieving and the post-traumatic shock of being uprooted and objectified. But they emigrated, throngs of millions of people, planeloads, trainloads, cartloads and carloads of them and they reached their destinations alive and able to start all over again - which is more than can be said about thousands of Kosovar Albanians. Ethnic cleansing has many faces, brutality is not its integrated feature.

The Wilsonian ideal of self-determination is rarely feasible or possible - though, when it is, it is far superior to any other resolution of intractable ethnic conflicts. It does tend to produce political and economic stillborns, though. Ultimately, these offspring of noble principle merge again with their erstwhile foes within customs unions, free trade agreements, currency unions. They are subsumed

in other economic, political, or military alliances and gladly surrender part of that elusive golden braid, their sovereignty. Thus, becoming an independent political entity is, to most, a rite of passage, adolescence, heralding the onset of political adulthood and geopolitical and economic maturity.

The USA and, to a lesser degree, the UK, France and Germany are fine examples of the third way. A majority of minorities united by common rules, beliefs and aspirations. Those are tension filled structures sustained by greed or vision or fear or hope and sometimes by the very tensions that they generate. No longer utopian, it is a realistic model to emulate.

It is only when ethnic cleansing is combined with self-determination that a fracturing of the solutions occurs. Atrocities are the vile daughters of ideals. Armed with stereotypes - those narcissistic defence mechanisms that endow their propagators with a fleeting sense of superiority - an ethnic group defines itself negatively, in opposition to another. Self-determination is employed to facilitate ethnic cleansing rather than to prevent it. Actually, it is the very act of ethnic cleansing which validates the common identity, which forms the myth and the ethos that is national history, which perpetrates itself by conferring resilience upon the newly determined and by offering a common cause and the means to feel efficient, functional and victorious in carrying it out.

There are many variants of this malignant, brutal, condemnable, criminal and inefficient form of ethnic cleansing. Bred by manic and hysterical nationalists, fed by demagogues, nourished by the hitherto deprived and humiliated - this cancerous mix of definition by negation wears many guises. It is often clad in legal attire. Israel has a Law of Return, which makes an instant citizen out of every spouse of every Russian Jew while denying this privilege to Arabs born on its soil. South Africa had apartheid. Nazi Germany had the Nuremberg Laws. The Czech Republic had the infamous Benes Decrees. But ethnic cleansing can be economic (ask the Chinese in Asia and the Indians in Africa). It can be physical (Croatia, Kosovo). It has myriad facets.

The West is to blame for this confusion. By offering all three solutions as mutually inclusive rather than mutually exclusive - it has been responsible for a lot of strife and misery. But, to its credit, it has learned its lesson. In Kosovo it defended the right of the indigent and (not so indigent but) resident Albanians to live in peace and plough their land in peace and bring forth children in peace and die in peace. But it has not protected their right to self-determination. It has not mixed the signals. As a result the message came through loud and clear. And, for the first time in many years, people tuned in and listened. And this, by far, is the most important achievement of Operation Allied Force.

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## The Balkans between Omerta and Vendetta

### On the Criminality of Transition

In a State Department briefing on Thursday, August 5th, 1999, the spokesman of this venerable and ever-so-truthful organ of the American administration, James Rubin, said:

*"We have supported and continue to support the regime in Montenegro that is a democratic regime that has pursued a democratic course. We do believe that Milosevic's efforts to consolidate power have led to repeated violations of the Yugoslav federal constitution, in particular the rights and privileges of Montenegro.*

*In particular, Belgrade has sought to strip Montenegro's constitutional rights and powers and has prevented Montenegro from playing its constitutional role in the federal government. We continue to believe that Montenegro's leaders have demonstrated a measured and rational approach to political and economic reform, which we support. We commend their efforts to work within the FRY for reforms that would bring democracy and a better life to all Yugoslav citizens.*

*To achieve that objective, we've been providing them assistance, we've been exempting them from the effect of certain policies that apply to Belgrade and the people of Serbia. We worked very, very hard during the war to avoid any unnecessary damage to facilities or people in Montenegro as a result of the air war. So we have been showing, I think, great efforts to try to build up the democratic efforts that President Djukanovic has shown in Montenegro. We think that they should continue to work within Yugoslavia to ensure their rights are protected."*

The war in Kosovo and the impending war in Montenegro and the wars that were in Croatia and Bosnia - were all gangland warfare. These were skirmishes between gangs of criminals, disguised as statesmen, politicians, members of "parliaments" and businessmen. Some of them were protecting their turf - others were trying to usurp it and they all made a killing, often literally. It is the same the world over - from Lebanon to Myanmar, from Sierra Leone to Nigeria and from Sarajevo and its ephemeral Stability Pact to the killing fields of Pristina. Crime gangs, Mafiosi, local versions of omertas and vendettas, black hands and red rivulets of the cheapest liquid of them all: blood.

Shadowy dealings, drug trafficking, white slavery, smuggling and forfeit goods are all intertwined with political power in the Balkans. Thaci we discussed elsewhere. Milosevic we discussed everywhere. But Djukanovic is portrayed as different - more gentlemanly, "democratic", a protector of civil rights.

Nothing can be further from the truth. The West - notably the USA - is in the habit of creating pairs of villains and heroes, monsters and saints where there are none. It provides for good soundbites, it raises the fighting spirits at home and it focuses attention and energy on the enemy. Very often, the spin-doctors are caught in their own whirlwind and with them - if they happen to be American - the rest of the world. Shrewd villagers such as all Balkan politicians are, have caught on to this self-delusion. They pose as democrats, autocrats, strong men, underdogs - anything to get Western aid and investment flowing. It is currently very fashionable and expedient to be a democrat - so Mr. Djukanovic is a democrat. And the West duly delivers the goods: international recognition, money, and political support.

Milka Tadic is the Editor of the popular (and, as you will see, independent) Montenegrin magazine "Monitor". This week, she wrote about Djukanovich (in "Currency Wars", in IWPR number 63):

*"Whenever Djukanovic, then Montenegro's Prime Minister, demanded economic liberalization and more economic independence, Milosevic would close the border and block trade between Serbia and Montenegro. In retaliation, Djukanovic opened*



*Montenegro's borders with Italy, to cigarette smuggling, and with Albania, for oil imports. Djukanovic also liberalized the import of foreign, second-hand cars - many of them stolen vehicles from Western Europe that Montenegrins bought from the Bosnian-Croat mafia, in border towns in Bosnia. Taxes from imported cars, the smuggling of cigarettes and oil, provided Djukanovic with the hard currency to replenish the republic's coffers and begin to chart an independent course away from Belgrade. In economic terms, this tiny republic was becoming less and less dependent on its partner in the Yugoslav federation. ... As NATO launched its bombing campaign, the Yugoslav Army took over control of the Montenegrin border crossings and custom posts, banning even the entrance of humanitarian aid; speed boats smuggling cigarettes between Montenegro and Italy could no longer break the blockade; and the border with Albania was also closed. Djukanovic was facing economic disaster and was only saved by the end of the war, since when Montenegro has resumed its dubious trade with its neighbours."*

Hence the love affair with the West.

Human vice is the most certain thing after death and taxes, to paraphrase Benjamin Franklin. The only variety of economic activity, which will surely survive even a nuclear holocaust, is bound to be crime. Prostitution, gambling, drugs and, in general, expressly illegal activities generate c. 400 billion USD annually to their perpetrators, thus making crime the third biggest industry on Earth (after the medical and pharmaceutical industries).

Many of the so-called Economies in Transition and of HPICs (Highly Indebted Poor Countries) do resemble post-nuclear-holocaust ashes. GDPs in most of these economies either tumbled nominally or in real terms by more than 60% in the space of less than a decade. The average monthly salary is the equivalent of the average daily salary of the German industrial worker. The GDP per capita - with very few notable exceptions - is around 20% of the EU's average. These are the telltale overt signs of a comprehensive collapse of the infrastructure and of the export and internal markets. Mountains of internal debt, sky-high interest rates, cronyism, other forms of corruption,

environmental, urban and rural dilapidation - characterize these economies.

Into this vacuum - the interregnum between centrally planned and free market economies - crept crime. In most of these countries criminals run at least half the economy, are part of the governing elites (influencing them behind the scenes through money contributions, outright bribes, or blackmail) and - through the mechanism of money laundering - infiltrate slowly the legitimate economy.

What gives crime the edge, the competitive advantage versus the older, ostensibly better established elites?

The free market does. Criminals are much better equipped to deal with the onslaught of this new conceptual beast, the mechanism of the market, than most other economic players in these tattered economies are.

Criminals, by the very nature of their vocation, were always private entrepreneurs. They were never state owned or subjected to any kind of central planning. Thus, they became the only group in society that was not corrupted by these un-natural inventions. They invested their own capital in small to medium size enterprises and ran them later as any American manager would have done. To a large extent the criminals, single handedly, created a private sector in these derelict economies.

Having established a private sector business, devoid of any involvement of the state, the criminal-entrepreneurs proceeded to study the market. Through primitive forms of market research (neighbourhood activists) they were able to identify the needs of their prospective customers, to monitor them in real time and to respond with agility to changes in the patterns of supply and demand. Criminals are market-animals and they are geared to respond to its gyrations and vicissitudes. Though they were not likely to engage in conventional marketing and advertising, they always stayed attuned to the market's vibrations and signals. They changed their product mix and their pricing to fit fluctuations in demand and supply.

Criminals have proven to be good organizers and managers. They have very effective ways of enforcing discipline in the workplace, of setting revenue targets, of maintaining a flexible hierarchy combined with rigid obedience - with very high upward mobility and a clear career path. A complex system of incentives and disincentives drives the workforce to dedication and industriousness. The criminal rings are well run conglomerates and the more classic industries would have done well to study their modes of organization and management. Everything - from sales through territorially exclusive licences (franchises) to effective "stock" options - has been invented in the international crime organizations long before it acquired the respectability of the corporate boardroom.

The criminal world has replicated those parts of the state, which were rendered ineffective by unrealistic ideology or by pure corruption. The court system makes a fine example. The criminals instituted their own code of justice ("law") and their own court system. A unique - and often irreversible - enforcement arm sees to it that respect towards these indispensable institutions is maintained. Effective - often interactive - legislation, an efficient court system, backed by ominous and ruthless agents of enforcement - ensure the friction-free functioning of the giant wheels of crime. Crime has replicated numerous other state institutions. Small wonder that when the state disintegrated - crime was able to replace it with little difficulty. The same pattern is discernible in certain parts of the world where terrorist organizations duplicate the state and overtake it, in time. Schools, clinics, legal assistance, family support, taxation, the court system, transportation and telecommunication services, banking and industry - all have a criminal doppelgänger.

To secure this remarkable achievement - the underworld had to procure and then maintain - infrastructure and technologies. Indeed, criminals are great at innovating and even more formidable at making use of cutting edge technologies. There is not a single technological advance, invention or discovery that criminals were not the first to utilize or the first to contemplate and to grasp its full potential. There are enormous industries of services rendered to the

criminal in his pursuits. Accountants and lawyers, forgers and cross border guides, weapons experts and bankers, mechanics and hit-men - all stand at the disposal of the average criminal. The choice is great and prices are always negotiable. These auxiliary professionals are no different to their legitimate counterparts, despite the difference in subject matter. A body of expertise, know-how and acumen has accumulated over centuries of crime and is handed down the generations in the criminal universities known as jailhouses and penitentiaries. Roads less travelled, countries more lenient, passports to be bought, sold, or forged, how to manuals, classified ads, goods and services on offer and demand - all feature in this mass media cum educational (mostly verbal) bulletins. This is the real infrastructure of crime. As with more mundane occupations, human capital is what counts.

Criminal activities are hugely profitable (though wealth accumulation and capital distribution are grossly non-egalitarian). Money is stashed away in banking havens and in more regular banks and financial institutions all over the globe. Electronic Document Interchange and electronic commerce transformed what used to be an inconveniently slow and painfully transparent process - into a speed-of-light here-I-am, here-I-am-gone type of operation. Money is easily movable and virtually untraceable. Special experts take care of that: tax havens, off shore banks, money transactions couriers with the right education and a free spirit. This money, in due time and having cooled off - is reinvested in legitimate activities. Crime is a major engine of economic growth in some countries (where drugs are grown or traded, or in countries such as Italy, in Russia and elsewhere in CEE). In many a place, criminals are the only ones who have any liquidity at all. The other, more visible, sectors of the economy are wallowing in the financial drought of a demonetised economy. People and governments tend to lose both their scruples and their sense of fine distinctions under these unhappy circumstances. They welcome any kind of money to ensure their very survival. This is where crime comes in. In Central and Eastern Europe the process was code-named: "privatisation".

Moreover, most of the poor economies are also closed economies. They are the economies of nations xenophobic, closed to the outside world, with currency regulations, limitations on foreign ownership, constrained (instead of free) trade. The vast majority of the populace of these economic wretches has never been further than the neighbouring city - let alone outside the borders of their countries. Freedom of movement is still restricted. The only ones to have travelled freely - mostly without the required travel documents - were the criminals. Crime is international. It involves massive, intricate and sophisticated operations of export and import, knowledge of languages, extensive and frequent trips, an intimate acquaintance with world prices, the international financial system, demand and supply in various markets, frequent business negotiations with foreigners and so on. This list would fit any modern businessman as well. Criminals are international businessmen. Their connections abroad coupled with their connections with the various elites inside their country and coupled with their financial prowess - made them the first and only true businessmen of the economies in transition. There simply was no one else qualified to fulfil this role - and the criminals stepped in willingly.

They planned and timed their moves as they always do: with shrewdness, an uncanny knowledge of human psychology and relentless cruelty. There was no one to oppose them - and so they won the day. It will take one or more generations to get rid of them and to replace them by a more civilized breed of entrepreneurs. But it will not happen overnight.

In the 19<sup>th</sup> century, the then expanding USA went through the same process. Robber barons seized economic opportunities in the Wild East and in the Wild West and really everywhere else. Morgan, Rockefeller, Pullman, Vanderbilt - the most ennobled families of latter day America originated with these rascals. But there is one important difference between the USA at that time and Central and Eastern Europe today. A civic culture with civic values and an aspiration to, ultimately, create a civic society permeated the popular as well as the highbrow culture of America. Criminality was regarded as a shameful stepping-stone on the way to an orderly

society of learned, civilized, law-abiding citizens. This cannot be said about Russia, for instance. The criminal there is, if anything, admired and emulated. The language of business in countries in transition is suffused with the criminal parlance of violence. The next generation is encouraged to behave similarly because no clear (not to mention well embedded) alternative is propounded. There is no - and never was - a civic tradition in these countries, a Bill of Rights, a veritable Constitution, a modicum of self rule, a true abolition of classes and nomenclatures. The future is grim because the past was grim. Used to being governed by capricious, paranoiac, criminal tyrants - these nations know no better. The current criminal class seems to them to be a natural continuation and extension of generations-long trends. That some criminals are members of the new political, financial and industrial elites (and vice versa) - surprises them not.

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## The Myth of Great Albania

### *Introduction*

To the politicians of the Balkans - almost without exception corrupt and despised by their own constituencies - the myth of Great Albania comes handy. It keeps the phobic Macedonians, the disdainful Serbs and the poor and crime ridden Albanians united and submissive - each group for differing reasons.

To reiterate, it is the belief that people of Albanian extract, wherever they may be, regard their domicile as part of a Great Albania and undertake all efforts necessary to secure such an outcome. Thus, to mention one example, Kosovo should be part of this Great Albania, so the myth goes, because prior to 1912, when the Serbs occupied it, Kosovo has administratively been part of an Ottoman mandated Albania. Sali Berisha - a former Prime Minister of Albania - talks ominously about an "Albanian Federation". The younger, allegedly more urbane Pandeli Majko, the current Prime Minister of Albania, raises the idea (?) of a uniform curriculum for all Albanian pupils and students, wherever they may reside. Albanians in Macedonia make it a point to fly Albanian flags conspicuously and of every occasion. This could have well been a plausible scenario had it not been for two facts. First that there is no such thing as homogeneous "Albanians" and second that Great Albania is without historical precedent.

Albanians are comprised of a few ethnic groups of different creeds. There are catholic Albanians - like Mother Theresa - and Muslim Albanians - Like Hashim Thaci. There are Tosks - southern Albanians who speak a (nasal) dialect of Albanian and there are Gegs - northern Albanians (and Kosovars) who speak another dialect,

which has little in common with Tosk (at least to my ears). Tosks don't like Gegs and Gegs detest Tosks. In a region where tribal and village loyalties predominate these are pertinent and important facts.

The Kosovars are considered by their Albanian "brethren" (especially by the Tosks, but also by Albanian Gegs) to be cold, unpleasant, filthy rich cheats. Albanians - Tosks and Gegs alike - are considered by the Kosovars to be primitive, ill-mannered bandits. There is no love lost between all these groups. When the crisis brought on by Operation Allied Force started, the local Albanian population charged the refugees amidst them with exorbitant (not to say extortionate) prices for such necessities as a roof over their head, food and cigarettes. When the UN mandate (read: the KLA mandate) was established, the Albanians rushed to export their brand of crime and banditry to Kosovo and to prey on its local population. No Macedonian - however radical - will dare say about the Albanians what my Kosovar contacts say. They nonchalantly and matter of factly attribute to them the most heinous crimes and uncivilized behaviour. Kosovars had - and are still having - an excruciating experience in Albania during this crisis. The lesson (being learned by Kosovars since Albania opened up to them in 1990) will not be easily forgotten or forgiven. Albanians reciprocate by portraying the Kosovars as cynical, inhuman, money making terminators, emotionless wealthy predators.

This is not to say that Albanians on both sides of the border do not share the same national dreams and aspirations. Kosovar intellectuals were watching Albanian TV and reading Albanian papers even throughout the Stalinist period of Enver Hoxha, the long time Albanian dictator. Albanian nationalists never ceased regarding Kosovo as an integral part of an Albanian motherland. But as the decades passed by, as the dialects metamorphesized, as the divide grew wider, as the political systems diverged and as the political and cultural agendas became more distinct - Kosovars became more and more Kosovars and less and less mainland Albanians.

This historical, 80 year-old rift was exacerbated by the abyss between the Enver Hoxha regime and its Tito counterpart. The



former - impoverished, paranoiac, xenophobic, hermetically isolated, violent. The latter - relatively enlightened, economically sprightly, open to the world and dynamic. As a result, Kosovar houses are three times as big as Albanian ones and Kosovars used to be (up to the Kosovo conflict) three times richer (in terms of GDP per capita). Kosovars crossing into Albania during the Hoxha regime were often jailed and tortured by its fearsome secret police. A Kosovar - Xhaferr Deva - served as Minister of the Interior in the hated WW2 government in Albania, which collaborated wholeheartedly with the Nazis. Albanians, in general, were much more reserved and suspicious towards the Germans (who occupied Albania from 1943, after the Italian change of heart). Only Kosovars welcomed them as liberators from Serb serfdom (as did Albanians in Macedonia to a lesser extent). This aforementioned Deva was responsible for the most unspeakable atrocities against the Albanian population in Albania proper. It did not render the Kosovars more popular. In Albania proper, three anti-fascist resistance movements - the Albanian Communist Party, Balli Kombetar (the National Front) and Legaliteti (Legality, a pro-Zug faction) fought against the occupiers since 1941. The Communists seized control of the country at the end of 1944.

Thus, the forced re-union was a culture shock to both. The Kosovars were stunned by the living conditions, misery and lawlessness of Albania proper. The Albanians were envious and resentful of their guests and regarded them as legitimate objects for self-enrichment. There were, needless to say, selfless exceptions to the egotistic rule. But I cannot think of any right now.

Historically, there was never a "Great Albania" to hark back to. Albania was created in 1912 (its borders finally settled in 1913) in response to Austro-Hungarian demands. It never encouraged Kosovo to secede. The Albanian King Zog suppressed the activities of Kosovar irredentist movements in his country in between the two world wars. Albania, mired in the twin crises of economy and identity - had little mind or heart for Kosovo.

But this was the culmination of a much longer, convoluted and fascinating history.

### ***From Illyrium to Skanderberg***

There is very little dispute among serious (that is, non-Greek, non-Macedonian and non-Serb) scholars that the Albanians are an ancient people, the descendants of the Illyrians or (as a small minority insists) the Thracians. The Albanian language is a rather newer development (less than 1500 years-old) - but it is also traced back either to Thracian or to Illyrian. In a region obsessed with history, real and (especially) invented, these 4000 year-old facts are of enormous and practical import.

Ironically, the Illyrians were an ethnic mishmash that inhabited all of the former Yugoslavia and parts of Greece (Epirus). There were also major differences between the Illyrians of the highlands (the current Albania) - isolated and backward - and those of the lowland, the worldly and civilized. But these distinctions pale in comparison to the praise heaped on the Illyrians by their contemporaries. They were considered to be brave warriors and generous hosts. They mined their rich land for iron, copper, gold and silver and, despite being pagan, they buried their dead because they believed in the afterlife and its rewards or punishments. In their liburnae - slim lined, very fast galleys - they sailed and developed marine trade. The Romans adopted the design of their vessels and even kept the name Liburnian.

Durres and Vlore were really established by the Greeks 2500 years ago. The former was called Epidamnus, the latter (actually, a settlement a few kilometres away) Apollonia. It was part of a Greek colonization drive that effected lands as far away as Asia Minor in today's Turkey. As was the usual case, the Greeks traded their superior civilization and culture for the superior administrative and economic skills of the natives. It was no coincidence that Illyrian political organization was concurrent with the Greek presence. It started as defence alliances and ended as kingdoms (the Enkalayes, the Taulantes, the Epirotes, the Ardianes). And the enemy - even then - were the Macedonians under Philip the Second and his son Alexander the Great.

But the Macedonian empire was short lived and was superseded by the far superior and self-conscious Romans. In 229, the Illyrians (commanded by a woman, Queen Teuta) were almost wiped out by Roman armies advancing to the Adriatic. It was the beginning of the damaging involvement of the superpowers in the area. Exactly 60 years later, Illyrium was no more. Rome prevailed and ruled the land now known as Illyricum.

Those were a good 600 years. Rome - as opposed to Ottoman Empire - was a benign, enlightened, laissez faire type of loose assemblage of taxpayers and tax collectors. Art and culture and philosophy and even the Illyrian tongue and Illyrian civilization flourished. It was a rich, materially endowed period in which citizens found sufficient leisure to indulge in all manner of Eastern cults, such as Christianity or the cult of Mithra (the Persian god of light). Christianity competed head on with the Illyrian pagan divinities and by 58 AD it was so strong that it was able to establish its own bishopric in Dyrrhachium (formerly Apollonia). This was followed by a few Episcopal seats. It was also followed by intolerance, bigotry, hypocrisy and persecution, as all institutional religions go. The Roman and Greek heritage of live and let live, of art, of the aesthetics of the human body, of nature - in short: Hellenism - was strangled by the ever more obscure and dogmatic brand of Christianity that pervaded Byzantium until the Iconoclastic Controversy of 732. The emperor Leo III actually did the Albanian Church a great favour by detaching it from under the authority of the Roman Pope and placing it under the more humane patriarch of Constantinople. Still, the dividing line between north and south in Albania was as much religious as economic. The south maintained its allegiance to Constantinople while the north looked south, to Rome for spiritual guidance. When the church split in 1054 (to East and West) - these affiliations remained intact.

It is very little known but the Illyrians actually ruled the Roman Empire in its last decades. There were a few Illyrian emperors (Gaius Decius, Claudius Gothicus, Aurelian, Probus, Diocletian, even Constantine the Great). And most of the officers of the by now fabled though dilapidated Roman army were Illyrians. In 395, in the

cataclysmic split of the dying empire to East (later, Byzantium) and West, Albania became finally and firmly a part of the East. The Illyrians continued to exercise great influence of the amputated East, some of them becoming influential and historically significant emperors (Anastasius I, Justin I, Justinian I). As a result, Illyria was the favourite target of all manner of barbarian tribes: the Visigoths, the Huns, the Ostrogoths. When the Slavs appeared on the heels of these invasions, the Illyrians regarded them as just another barbarian tribe.

The interaction between the Illyrians and the Slavs was a love-hate relationship and has remained so ever since. Some Illyrian groups assimilated, intermarried and assumed the culture of the invaders. In 300 years, between the 6th and the 8th centuries AD, all the Illyrians in today's former Yugoslav republics vanished only to re-appear as Slavs. But the Illyrians of the south (Albania, Western Macedonia) resisted this process of dilution bitterly and preserved their identity and culture fiercely. To distinguish themselves from the "assimilated" - they invented Albania. The name itself is much older. Ptolemy of Alexandria mentioned it 600 years before the Illyrians began to apply it to their dwindling polity. And another 300 years were needed - well into the 11th century AD - before the Illyrians were fully accepted their reinvention as Albanians - the successors to the Albanoi tribe, which used to occupy today's central Albania (formerly called Arberi). Five centuries later, the Albanians themselves renamed their territory and began to call it Shqipëria. No one really knows why, not even Albanian scholars, though they like to attribute it (on flimsy etymological grounds) to Shqipë, the Albanian word for Eagle. Thus, Albania was transformed to the Land of the Eagle.

It is an irony of history that the Middle (or Dark) Ages were the best period ever in Albania's history. Powerful cities proliferated, inhabited by a class of burghers who engaged in trading. Albanian merchant houses established outposts and branches all over the Mediterranean, from Venice to Thessalonica. Albanians were the epitome of education and cultivated the arts. They conversed only in Greek and Latin, letting the auld language die. The Byzantine Empire

was divided to military provinces (themes). One thing led to another and military commanders transformed feudal lords administered serfdom to the population. Feudalism co-existed and then supplanted urbanism and the big estates became so autonomous that they ignored the Byzantine court altogether.

But Albania was never peaceful. It was conquered by Bulgarians, Normans, Italians, Venetians and Serbs in 1347. Many Albanians immigrated when the Serbs took over, led by Stefan Dusan. They went to Greece and the Aegean Islands. It was not until 1388 that Albania was invaded by the Turks. By 1430 it was Turkish. By 1443 it was Albanian. To this incredible turn of events, the Albanian had Skanderberg to thank. A military genius (real name Gjergj Kastrioti), he drove the rising superpower of the Balkans out in a series of humiliating defeats administered by a coalition of Albanian princes. From his mountainous hideout in Kruje, he frustrated the Turkish efforts to regain Albania (they were planning to use it as staging ground for the invasion of Italy and, thereafter, Western Europe). The Italians (even the Pope, then the long arm of various shady Italian principates) supported Skanderberg monetarily and militarily - but he did by far the lion's share of the work.

But it was a personality-dependent achievement. Like all great leaders, Skanderberg's fault is that he refused to admit his own mortality and to nurture the right successor. Following his death, the Turks recaptured Albania in 1506. But Skanderberg's heroic fight had two important consequences. One outcome was a considerable weakening of the Turkish drive towards the heart of Europe and its West. They will never regain the momentum again and the war was lost. The second momentous consequence was that his struggle moulded an Albanian NATION where there was none before.

#### *From the Ottomans to the Americans*

The Ottoman occupation was an unmitigated misfortune. Albania - culturally, a veritable part of Italy in the past - was cut off from it and from the Renaissance it spawned. The Turks brought with them their venal type of devastation, not only economic, not only physical, not only in human lives - but also cultural. A gangrenous

paralysis ensued. The lucky quarter of the population escaped to Italy. The others were left to fight it out through civil disobedience (refusal to pay taxes, to serve in the army, to surrender their weapons) and in open rebellion, time and again, indefatigably and resourcefully, often in the name of the Christian faith. To put an end to the nuisance, the Turks islamised the lot (at any rate, two thirds of the lot) during the 16th and 17th centuries. To ensure conversion, the Turks tortured, killed, raped and taxed the Christians. It worked and people crossed to the other side in droves. Now there were Catholic Albanians and Muslim Albanians. It was a replay of the old, 11th century, religious fragmentation. Albanian political leaders in the 19th century - aware of the potential of these fractures to denationalise - insisted on "Albanianism" - a substitute, unifying political "religion". The rallying cry was: "The religion of Albanians is Albanianism."

Nothing much changed in Albania since the time of feudalism. The Turks awarded local warlords with land estates to administer (timars). These warlords - the centres of real power both political and military - subverted the authority and dominion of the empire. The more the latter tried to appease them with endowments - the more potent and ambitious they became. The Bushati family, the eccentric Ali Pasa Tepelene (who also ruled Northern Greece) and others. In convulsive feats of reassertion of authority, some sultans deposed of these pashas - but this did not anything to diminish the autonomy of their estates. In 1831, Turkey abolished the timar system altogether. This bold reform backfired as the old estates fragmented even further and power devolved to even lower levels of communal organizations run by beys (in the north) and bajraktars (everywhere) - bloodthirsty, rigidly patriarchal and primitive mini rulers. Paradoxically, Albanians who emigrated (mainly to Turkey itself) rose to prominence. Turkey had 27 (!) grand viziers (=prime ministers) of Albanian extract.

It was in Kosovo that discontent, unrest and revolt coagulated into the League of Prizren in 1878. Originally, a narrow local interest northern group, it fast adopted an expansive agenda, seeking to unify the four parts of Albania in the four vilayets (Kosovo, Shkoder,

Monastir, Janina) into one political unit. But it wrong to attribute to it the birth of the delirium of a Great Albania. The League sought an administrative solution - not a political one. All they wanted was to create an Albanian zone - but WITHIN the Ottoman Empire. They were more focussed on benign, less threatening things like culture, art, literature and education. In short, it was a cultural movement with administrative aspirations - not the beast of untethered expansionism it was made out to be by latter day (and rather interested) historians. It was in Monastir (today's Bitola in Macedonia) that a national, Latin, alphabet was adopted in 1908. More convenient than Greek or Arabic - used until then - it triumphed.

History moves in quirkily agonizing twists and turns. It was the League's involvement with the Albanian language and the strong opposition by the Turks to its use (the League's activities in this respect were banned in 1881) that transformed the League from a rather local affair to a modern national movement along the Italian or German lines. The Albanian language was indeed suffused by nationalism, immersed in dreams and aspirations unfulfilled. Its reawakening signalled the reawakening of Albanianism. When the last great hope, sealed by Young Turk (broken) promises of autonomy and democracy, was lost - the Albanians rebelled and forced the Sick Man of Europe to swallow yet another dose of medicine. In 1912 Turkey granted the Albanians their wishes only to face the Greek, Serb and Montenegrin armies, which conquered Albania and divided it among them.

This trauma of division is a recurring trauma in the Albanian psyche. How ironic that the only people who can empathize with them are the Macedonians who share the same fear of being quartered. Faced with the annihilation of Albania so soon after its birth, Albanian leaders met in Vlore, led by Ismail Kemal, a former high-ranking Ottoman official of Albanian origin. With nothing much to lose, they decelerated independence (the Vlore Proclamation) on November 28, 1912.

In December 1912, the Great Powers (the forerunners of NATO) - Britain, Germany, Russia, Austro-Hungary, Italy and France - met in

London to divide the unexpected spoils. The conference handed an independent Albanian state to Austro-Hungary and Italy. But the price was a great diminishment in its geographical scope. Kosovo was given to Serbia, Cameria to Greece, the most luscious and productive lands and more than half of all Albanians were left out of the new independent homeland. Such was the nature of territorial comprises at that time that it created more problems than it solved. Two news ones were born that day and hour: a Yugoslav-Albanian flaring animosity and a Greek-Albanian mutual denial. The unfortunate and tragicomic German who was appointed to administer Albania (Wilhelm zu Wied) departed soon thereafter with the outbreak of the First World War.

This first European bloodbath provoked all of Albania's neighbours into an uncontrolled binge of invasions. Austro-Hungary, France, Italy, Greece, Montenegro, Serbia - they all marched in with no plan in mind but to occupy and plunder. The country turned chaotic and it took a Woodrow Wilson in the Paris Peace Conference to avert an abolition of the Albanian independent state. It was not the first time Albania descended into chaos - nor was this to be the last time the Americans would come to the help of the Albanians. Britain, France and Italy planned to partition it, Wilson vetoed it and that was the end of the plan and the beginning of Albania.

In Lushnje, in 1920, the Albanians convened a national congress and established a government. That year, Albania was admitted to the League of Nation, sponsored by the very Britain that sought its partition only the year before. Secure in its sovereignty and international recognition, Albania inverted its attention. Society was polarized between land-owning fat cats, the beys and militant archconservative bajraktars led by Ahmed Bey Zogu from Mat in the north. These reactionaries were opposed by an uncomfortable coalition of merchants, intellectuals, progressive politicians and assorted democrats led by an improbable American-educated bishop of the Orthodox(!) church, one Fan S. Noli, middle initial and all. The conflict ended 4 years later when, in 1924 Zogu fled to Yugoslavia. But the entrenched power of the land gentry was not to be discounted so easily. Noli, now a prime minister, ruled over the



Albanian equivalent of the Republic of Weimar. Radical land reform, modernization, westernisation. But he was personally unstable, he won no international recognition (he was considered a revolutionary leftist) and he had no money to buy his way with. Zogu came back, this time with a Yugoslav-backed army. He won.

***From King Zog to a Brave, New World***

Zog commenced his 14 years long reign first as president and then as king (Zog the first, needless to add). He ruled over a time bomb. The forces he suppressed with his foreign backed army were rather alive and well, though in an underground sort of way. In dire need of funds, after the self-inflicted destruction of his country, Zog resorted to mortgaging it to foreign powers such as Italy. Italy collected on its loans in 1939, when it invaded Albania on the way to its Balkan treasure hunt. King Zog rule of beys and bajraktars aided by a ruthless police, a Byzantine bureaucracy (a major employer) and Italian money did stabilize the country, including to the bandit and brigand-ridden highlands. Many schools were established during his reign. He even turned a blind eye to western fashions. But this stability was brittle and fake. Underneath the ornamental surface, the populace was seething. Peasants aggrieved by the absence of land reform. Democrats opposed to a dictatorship, however benign. Liberals opposed to the police state. Nationalists opposed to the undue influence of foreign powers. Albania imported grain to feed its impoverished population - and exported people in search of a better life. Periodic revolts interspersed with labour unrest led directly to the formation of the communist party, the standard bearer of the educated classes.

In October 1940, Italy invaded Greece from Albania only to be folded back to whence they came. Nazi Germany had to complete the job as it swept through Yugoslavia and Greece. In 1941, Albania was rewarded for its collaboration with the annexation of Kosovo from Yugoslavia and Cameria from Greece. Having been nearly eliminated by the Allies (Britain and France) at least twice - and having been rewarded by the Axis (Austro-Hungary, Germany and Italy) numerous times throughout their history, the Albanian's loyalty

was not in doubt. Though never the great ideologues - they were althesame instrumental in facilitating the wartime hegemony of Germany and Italy over the Balkans. The resistance movement was not uniform, nor was it very effective (though Albanians like to portray it differently). Finally, in 1944, the communists took over and their secretary general, Enver Hoxha, became the leader of a new People's Republic of Albania, later adding the word "Socialist" to its name (1976).

Nothing seems to have changed in Albania from the 14th century to the Hoxha days. Burdened by the malaise it contracted from the Ottoman Empire, it was plagued by poverty, banditry, illiteracy, blood feuds, disease and the slavery of women and of peasants. At first, the communist tried to tackle all these ills simultaneously. They drafted a grand plan of modernization. They vowed to liberate Albania economically and socially, now that it has been liberated politically (their reference point was, strangely enough, the bourgeoisie war of 1912). Peasants were handed tiny plots of land taken from the broken estates of the former beys in an ambitious agrarian reform. Industry, banks and all foreign property were nationalized. Agriculture was collectivised in the best Stalinist traditions, though far less swiftly (it was completed only in 1967). Hoxha subjugated the wild highlands and strove to eliminate blood feuds and other feudal habits, taking on the hitherto invincible bajraktars in the process. Women were granted legal equality with men and were encouraged to participate actively in their society.

Albania was promiscuous in its foreign affairs, changing partners often and seemingly whimsically. It paired with Yugoslavia under Tito until 1948, then with the Soviet Union during the days of Stalin and Khrushchev (until 1961) and then with Maoist China (until 1978). It expected to receive monetary and military aid - and it did. It received enormous infusions of credits relative to its economy and it was virtually invaded by regiments of technical experts who provided assistance with the various aspects of running a modern state. Gradually, agriculture was mechanized, industry was modernized and standards of living increased. It was a golden age and many were happy.

But Hoxha was unhappy. He accused each ally of Albania in its turn of betraying unadulterated Marxism-Leninism in favour of the wiles of the capitalistic West. His allies were as disenchanted with his growing paranoia and geopolitical sado-masochism. Isolated, paranoiac, obsessive and phobic - Hoxha promulgated an ideology of self-sufficiency, go-it-alone and the world-is-against-us. Thus, while Albania made impressive leaps of technology in draining swamps, while it unified its dialects into a uniform literary language, while it industrialized and mechanized and reformed and transformed - and it has - it did so in splendid isolation, often re-inventing the wheel. And it had a nightmare called Sigurimi.

The Sigurimi was the shadowy, quasi-criminal state security apparatus. It was a snake raised in the warm bosom of the party. It was omnipotent. Real or imaginary rivals of the party (really of Hoxha) were publicly humiliated, dismissed from job, imprisoned in a system of hideous Gulags, or summarily executed. These bulimic purges were coupled with growing schizoid tendencies. Travel abroad was prohibited except on official business, religion (a backward, unprogressive, disuniting force) was banned.

When Hoxha died in 1985, he was succeeded by a crony, Ramiz Alia, an Albanian Gorbachev who introduced local versions of Perestroika and Glasnost even before the Soviet leader did. He legalized foreign investments and established diplomatic relations with the hitherto reviled West. But, despite his courage and relative openness, he shared the fate of other reformers, falling victim to the very forces he unleashed. In 1989, the workers, the intellectuals and the Albanian youth were all against the regime. In a spasmodic act of self-preservation, Alia granted Albanian citizens the right to travel abroad, limited the reach and powers of the Sigurimi, restored religious freedom, freedom of political association and adopted free market reforms. Nothing much was left of Hoxha's heritage. Several governments later, the Democratic Party, an anti-communist hodgepodge alliance of interests won the elections (1992). Berisha succeeded Alia. The communist rule was no more.

It was the beginning of a new Albania. Facing west, it hoped, as it always has, to modernize, to reform, to belong.

But it was not meant to be.

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## The Bad Blood of Kosovo

The old Montenegrins, tall as their mountains, their rocky faces ravaged by an unforgiving weather define "osveta" thus:

*"Osveta, that means... a kind of spiritual fulfilment. You have killed my son, so I killed yours; I have taken revenge for that, so I now sit peacefully in my chair."*

Milovan Djilas, who helped Tito become Tito and then was imprisoned for trying to be Djilas, wrote in his book "Land Without Justice" (Harcourt, Brace 1958):

*"Vengeance - this a breath of life one shares from the cradle with one's fellow clansmen, in both good fortune and bad, vengeance from eternity. Vengeance was the debt we paid for the love and sacrifice our forebears and fellow clansmen bore for us. It was the defence of our honour and good name, and the guarantee of our maidens. It was our pride before others; our blood was not water that anyone could spill. It was, moreover, our pastures and springs - more beautiful than anyone else's - our family feasts and births. It was the glow in our eyes, the flame in our cheeks, the pounding in our temples, the word that turned to stone in our throats on our hearing that our blood had been shed. It was the sacred task transmitted in the hour of death to those who had just been conceived in our blood. It was centuries of manly pride and heroism, survival, a mother's milk and a sister's vow, bereaved parents and children in black, joy and songs turned into silence and wailing. It was all, all."*

And this is what Margaret Durham had to say in her celebrated ethnography of Albania, a long time ago ("Some Tribal Origins of Laws and Customs of the Balkans" - Allan and Unwin, 1928):

*"A certain family had long been notorious for evil-doing - robbing, shooting, and being a pest to the tribe. A gathering of all the heads condemned all the males of the family to death. Men were appointed to lay in wait for them on a certain day and pick them off; and on that day the whole seventeen of them were shot. One was but five and another but twelve years old. I protested against thus killing children who must be innocent and was told: 'It was bad blood and must not be further propagated.' Such was the belief in heredity that it was proposed to kill an unfortunate woman who was pregnant, lest she should bear a male and so renew the evil."*

In the second century BC, Kosovo was populated by people with picturesque names: the Ilyrians, Thracians, the Celts. The whole area was under Roman rule and was subjected to the industriousness and meticulousness of Empire. Roads were paved, cities built, populations moved and commerce flourished. This lasted two hundreds years. Slav tribes descended from the Carpathian Mountains and ended it in orgies of blood and fire. Until this very day, serious Greek politicians invoke this primordial invasion in their effort to convince an incredulous world that the (current) Macedonians are not the (True) Macedonians. "They are the offspring of invading Slavs" - they claim, passionately, as is the habit in the Balkans. It took another two centuries and a Byzantine brief occupation to force the reluctant Slavs to settle along the Sava River and to form the poor semblance of a civilization in the making. Roving "saints" of fervent disposition taught them a new alphabet. Cyril and Methodius were succeeded by disciples all over Central and Eastern Europe - from the period of Kliment Ohridski in today's territories of Macedonia and Bulgaria to Amos Comenius, the 17th century educator, considered in the Balkans to be their spiritual descendant in the Czech Lands.

This ability to cast their myths in paper in the vernacular, to hand the national memory down the generations, the newfound Christian religion - all coagulated into an emergently distinct culture. Come the 12th century, Kosovo was entirely Slav.

Or, to be more precise: entirely Serb. The Slavs fractured into three groups. The Croats and Slovenes, baptized by Rome, became

ardent Roman Catholics. The Serbs - introduced to the faith by Byzantium - remained Eastern Orthodox. This division was to last a thousand years as the Croats and the Slovenes came under the influence and rule of the Catholic Habsburgs while the Serbs were subjected to the crumbling Ottoman chaos. Geography mirrored a tormented topography of mentalities, religious persuasions and political affiliations. The Serbs occupied today's Serbia, Montenegro and Bosnia Herzegovina. The Croats and Slovenes occupied the rest of latter day Yugoslavia. The Tito generated unity of Serbs, Croats and Slovenes was but a brief and false note. It could not have lasted - and, indeed, it hasn't.

The Serbs established a principality in Kosovo - the nucleus of what later came to be known as the Serbian Golden Age. It was situated in the rustic but magnificent valley of Ibar and controlled most of the Sandzak. Gradually, the whole of hitherto empty Kosovo became theirs and they felt sufficiently at home to form a Serbian Orthodox Church with its seat in Raska, just north of Kosovo. It took 19 years (1200-1219) to complete this feat of independence and all this time Kosovo was fought over by Serbs, Bulgarians, Hungarians, Romans and Byzantines. Hundreds of years of strife, veiled conspiracies, invasions and rotting corpses in sun drenched battlefields.

To the Serbs it was a Golden Age. Under the Nemanje dynasty, luck struck thrice in the figures of kings Stephen (1169-89), Milutin (1281-1321) and Dusan (1331-55). Workers were brought in from Transylvania to mine the wealth of the land. Ever more prosperous, Kosovo became the throbbing heart of Serbland. The splendid royal court, ravishing in gold and red, radiated power north of Kosovo and unto today's Slovenia, up to the Adriatic Sea, making Pec the new seat of the Serbian Orthodox church. When Dusan died, history held its breath, the nation poised precariously on a precipice of internecine conflict. But the stability was fake. The question of inheritance, translated into the currency of power plays, tore the land apart. The Turks were there to pick up the pieces in the masochistically celebrated battle of Kosovo Polje in June 28th 1389. But not for another 70 years did they exert real control over this

newly gained territory - so powerful and ferocious were their Serb adversaries even in their decline. Besieged by Mongols from the east, the Turks, already the sick man, retreated and left the Serbs to their own self-destructive devices.

All this time, there are no Albanians in the historiography of this cursed land. It is, therefore, almost startling to find them there, sufficiently armed and organized to oppose the... Turks!

Having dealt the Mongols some mortal blows, the Turkish beast shifted its attention to another bruise in its by now writhing body, to Kosovo. The Turkish armies conquered Prizren, driving before them the dilapidated and depleted Serb forces. It was an Albanian king, Skanderberg, who rebelled against them there. Albanians then were Catholics (as many of them are to this very day), their war against their future allies, a holy war. This was in 1459 and only 250 years later did the Turks embark upon a policy of actively encouraging the (by now Muslim) Albanians to emigrate to Kosovo - not before the Serbs were expelled following an unsuccessful rebellion in 1690.

This Turkish propensity was nothing extraordinary. Empires throughout history settled "loyal" populations where they displaced restive ones. But in Kosovo a confluence of fault lines led to especially bitter sediments, which went on to poison the waters of co-existence for centuries to come. Converted Moslem Albanians versus Christian Serbs; Albanian collaborators and traitors (as perceived by the Serbs) versus Serb mythical heroes (again as perceived by the Serbs); a nation of the ascendance versus a nation dispersed and the last European defence line against Islam traitorously compromised by fellow Christians and Christian kingdoms. Serbs fleeing from Kosovo, from Serbia itself, from Bosnia and Herzegovina and Macedonia - moved due north, to refugee camps set up by the Habsburg empire. Serbs settled in Vojvodina and Krajina, thus sowing the seeds of 20th century conflicts with Croatia and Hungary. And all this time they carried with them a baggage of hatred and revenge, a lethal, bloodied promise to be back and to exact the price of betrayal from the Albanians. In 1737 they established a Serbian homeland in Vojvodina. In 1738 they rebelled, again to be defeated in the scene of their national trauma, in Kosovo



Polje. Another wave of immigrants followed and another wave of Albanians took over their abandoned property in Metohia. The Turks abolished the seat of the Serb church in Pec in 1766. It seemed that the Serb nation has been all but eradicated.

But this was not to be. In one of the more magnificent sleights of hand that history is so famous for - the Russians forced the beaten Ottoman Empire to grant the Serbs autonomy. It was nothing like the hallowed past sovereignty and glory of the Dusan court but it was a step that rekindled nationalistic sentiments in the most humble and humbled Serb throughout the land. This flame has since never been extinguished and it is at the blazing heart of the Milosevic Yugoslav Wars of Inheritance. That - and the belief that history is cyclical and that there is always hope.

Kosovo was by now entirely "Alabanized". Pristina was the hub of transport and the seat of the administration. Names of places, which resounded both in the 14th century and at the close of the 20th, recur. In Prizren in 1878 the Albanians established their first national movement. There they came of age. The infancy of Serbhood and the adulthood of Albanianism clashed in the same region, the prelude to the tragedy of 1999.

Under the Treaty of Berlin in 1878, Serbia became de jure an independent country. Its anguished delegation, eager and paranoid, gave up Kosovo in dealings behind the gilded scenes. It was a tactical move, which the Serbs reversed in the First Balkan War (1912) - when they regained Kosovo - and in the Second Balkan War (1913) when they regained Macedonia. In these bloody rehearsals of the World Wars, the Serbs succeeded to redefine the borders - but also to give birth to Albania. It is an irony of history that Serb bellicosity and nationalistic dreams gave rise to the modern Albanian state. But then this IS the nature of the Balkans - a hazy nightmare in which enemies give birth to one another. An intricate commerce of Christian death and resurrection, the gifts of death and life exchanged among Gregorian chants and the prayer cries of Muezzins. In 1926 the Serbs and the Albanians drew the borderline between their sovereign states. It was a bad invention, this line of demarcation. It separated close to 600,000 Albanians in Kosovo and

Macedonia from Albania proper. The disgruntled populace did not engage in acts of terror or in gestures of nationalistic indignation. Instead, they emigrated to Albania and to Turkey - tens of thousands of Albanians, perhaps as many as three hundred thousand, or half the population. And the Serbs came in their stead. The wheel has been reversed, or so it seemed.

Nothing in the Balkans is what it seems to be. Every surface is teeming underneath with hidden meanings, obscure interpretations and exegetic excesses. They who are up go down, bringing in their wake, through the sheer force of their own fall - the rise of their adversaries. Delicate laws of conservation preserve all grudges balanced, all the accounts settled and all agony equally distributed. It is an entropy of history itself, slowly decaying into chaotic repetition.

And thus when Italy conquered Kosovo (it, with Ethiopia being the only thing it ever conquered) - it gave it to Albania. Germany, which dominated Yugoslavia, consented. For a brief four years, the Albanian nation was completely united, territorially, at least.

But this did not last long. After the war, Yugoslavia re-acquired Kosovo and the communist regime embarked on a Turkish-like brutal suppression of the Albanian population. For twenty-one years, secret units of the police hunted, executed and mutilated free spirited Albanians all over Kosovo. In more ways than one, Albanians were the first true dissidents in the entire communist bloc. How ironic, if one recalls the Albanian Enver Hoxa, the leader of next-door Albania and the fiercest of all communist leaders. In 1968 Albanian students joined their colleagues the world over and demonstrated against Serb repression. These particular outbursts were easily squashed but in 1974 Kosovo was made an autonomous province of Yugoslavia by constitutional reforms. School instruction in Albanian was legalized. During all this period, Serbs - especially battle hardened war veterans - were economically encouraged to migrate to Kosovo. Albanians were encouraged to go the other way and many did. About 200,000 Albanians left between the years 1954-7 alone!!!

By now, these human waves and military trampling left Kosovo dilapidated to the core, a backwater both economically and

culturally. People left Kosovo in this period because it offered no present work and no future prospects. One hundred thousand Serbs left between 1961-87. Much later many would claim that they were harassed by the Albanian majority but this sounds fake, a re-writing of history. Albanians left as well. Everyone who had a choice chose to leave impoverished Kosovo.

Then Tito died and nothing was the same. The 1981 riots in Kosovo led to the imposition of martial law. As students from Pristina University rampaged in the streets, the government sealed Kosovo off, sent in the militia to restore order (which it did with vehement cruelty and bestiality) and closed down educational institutions. Pristina University was always a hotbed of nationalism - witness its Maoist-Marxist graduate, the head of the KLA and the self-appointed Prime Minister of Kosovo, Hashim Thaci. But that particular spring was exceptional. Public disorder was coupled with grave acts of economic sabotage. The students demanded an end to discrimination and certain freedoms but really they demanded jobs commensurate with their training, jobs, which they believed went to the Serbs.

Five years later, a hitherto obscure communist leader (he was just elected Serbia's party secretary) visited Kosovo. In a chance encounter with angry Serb mobs in the streets of Pristina he accused the Albanians of genocide. "No one should do this to you" - he said, grim faced, visibly shaken, cunningly calculating.

His name was Milosevic.

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## The Plight of the Kosovar

Rumour has it that from now on, citizens of the Former Yugoslav Republic of Macedonia will need a hard-to-obtain visa to enter the Czech Republic. This already is the case with Bosnians, for instance. Officials in Macedonia believe that this is intended to stem a flow of future Kosovar immigrants. If so, the Czech government holds a grim view of the prospects of peace there and rightly so. Discounting the Second World War and numerous other skirmishes, the developing war in Kosovo is the Fourth Balkan War. The Czech Republic already hosts a great number of "Former Yugoslavs" and of Albanians, for measure. Ordinary Czechs believe them to be responsible - together with Russians and Ukrainians - to the uncontrollable and intimidating wave of street crime. This intuition, it seems, is based less on statistics than on plain old xenophobia.

The situation is shrouded in myths and misconceptions. The Albanians in Albania are not related to the Albanians in Macedonia (known as "Shiptars"). The former are mostly Christians - the latter Moslems (like their brethren in Kosovo). Even the Albanians in Albania are not a cohesive lot - they are divided to Northerners and Southerners with bitter mutual enmity the only thing connecting them. Witness the recent near disintegration of the Albanian state over regional politics (disguised as a financial scandal). The risk of a spillover of the conflict into Albanian territory is small. Not so with Macedonia. This is why NATO is flexing its muscles on Macedonian territory. The message is ostensibly intended for Yugoslav ears. Really, NATO hopes that it will echo far north, in the Kremlin. The Balkans is a strategic area - says NATO - and we will bomb to pieces anyone who wishes to meddle in it. Cold war rhetoric and not from Russian lips, this time.

The Slav Macedonians loathe and fear the Albanians. The latter do not hide their desire to tear Macedonia apart and establish a Greater Albania, comprising Macedonia's Western parts. Radical new leaders - such as the now imprisoned Ruzi Osmani, mayor of Gostivar - hoisted Albanian flags on municipal buildings. This led to bloody riots. Slav students counter-rioted when Albanians demanded bilingual education. Things are explosive even without Kosovo.

But this is part of a larger picture. The Macedonian political elite never really wanted to separate itself from the Yugoslav Federation. In the first years of the embargo on Yugoslavia, Macedonia was the main route of smuggling into the beleaguered country (from Greece, through the Vardar river). Macedonia is torn between supporting Serbia and the Slav cause (championed by Russia) - and complying with Western pressures. The West finances the gigantic trade and current account deficits of Macedonia, without which the economy and the currency would have long crashed even beyond their incredibly depressed levels. Other factions still dream about a Greater Bulgaria. The opposition, IMRO-DPMNE is accused of being the creation of the Bulgarian secret service, or the Bulgarian mob, depending on the speaker. Persistent rumours have it that Milosevic signed a secret pact with the Macedonian ruling (former socialist) party, the SDSM, using the mediation of Arkan, a particularly ferocious militia commander in the good old days. Serbia undertook to heat the border with Macedonia just before the October elections and thus to allow the government either to postpone them or to declare a state of emergency. The SDSM stands to lose big in the elections following economic mismanagement and colossal corruption charges. The main beneficiary is a repatriated politician (whose vote, by the way, was crucial in dismantling the Yugoslav Federation), Vasil Tupurkovski. He is perceived as "Mr. Clean Hands", though backed, from the shadows, by Big Business. He is also pro-American (he lived in the States many years and his family is still there). Russian hands don't like this, probably.

Gradually, anti-Western feelings are emerging in Macedonia. The USA is perceived as automatically anti-Serbian (read: anti-Slav) and pro-Albanian. Emotions run high against Germany and the United

Kingdom, as well. Russia benefits from all this. If it plays its cards wisely, it could achieve two goals: (a) Destabilize the Southern flank of NATO and (b) transform Macedonia into its agent. If the conflict escalates, Greece and Turkey could be easily drawn in. Both are NATO members. They will not be fighting on the same side, though. And maybe they will carry the fighting into Cyprus. Though far fetched, this is the first opportunity in a decade to seriously dent the NATO facade. Russia is not likely to miss it. Milosevic, in many respects, is a pain. In other respects, though, he is a strategic gift from heaven.

The Kosovo situation is a blessing, not in disguise, for Macedonia. It is through this - and other Serb-induced crises - that Macedonia attained geopolitical importance. The West pampers Macedonia and finances its fiscal and trade excesses precisely because of its strategic location and because of its Albanians. The potential for inter-ethnic tension is deemed to be sizeable by the West. To avert it, the West is willing to bribe all parties involved into tense calm and strained civility.

The Kosovo crisis has just started. The Serbs are a resilient, cunning bunch. Their withdrawal following the US-mediated accord is tactical, not strategic. They will be back. They will do their best to present the Albanians as intransigent, irrational and belligerent during the process of negotiating autonomy for the province. This will not be difficult. The recent crisis radicalised even the moderate Albanians (like Rugova). Their demands ARE likely to be zany and unacceptable. This will be Milosevic's chance to convert the West to his side. He will act the peacemaker, the moderate, the conciliator - and let the Albanians do the dirty work of threats, walkouts and occasional terror.

There will be war in Kosovo. It is only a matter of time and nerves. Milosevic has plenty of both - the Albanians and their Western supporters none. The incident has escalated into a mini cold war. Russia has mobilized select units of its army and moved its anti aircraft missiles to counter a possible NATO strike. The new rulers of the Kremlin are old cold war hands and habits die hard in Russia. Kosovo is a golden opportunity to destabilize NATO (by provoking

Turkey against Greece, for instance). I have expounded upon this elsewhere.

Once a real war breaks, the Albanians in Macedonia will be tempted to join in the fray. Though ethnically different - they are not nationalistically indifferent. Hitherto, KLA has failed to establish a presence on Macedonian soil and inter-ethnic clashes have been surprisingly limited and subdued. Still, the potential is there. The Albanians in Macedonia are concentrated in a well-defined geographical triangle. They could demand the same autonomy that their northern brothers are trying to extract from Milosevic. Moreover, they are better integrated into the political and economic life in Macedonia. Following the next elections (18/10) they are likely to hold the balance of power. And they are getting more and more adept at using it. They feel like second class Macedonians. They would like to become first class Albanians. So, there will be clashes and tension in Macedonia over Albanian demands for greater autonomy.

Then there is the Serb-Macedonian tortured relationship. As I said, Macedonia was the last to (reluctantly) secede from the Yugoslav Federation. It escaped harm by aiding and abetting the Serbs during the siege. Macedonia was a vital (also corrupt and lucrative) bloodline, connecting Greece to Serbia (through the Vardar river). Politicians and businessmen (in Macedonia, these are linked vocations) made fortunes. Smugglers and other criminal elements flooded the country, never to go back. The two regimes are not friends but they maintain the Hillary-Bill marriage: power sharing, convenience, the occasional extramarital fling. Serbia will not attack Macedonia as long as it maintains express neutrality. NATO will not compromise this neutrality because it does not want additional trouble in its hinterland if it invades Serbia. As long as this (admittedly shaky) tacit understanding prevails - there is no "Serbian risk".

To sum up: I do not see Macedonia flaring up. A guerrilla type war of attrition is conceivable but with limited targets (autonomy for the Albanians within a well defined swathe of territory). These demands will be finally met because the Macedonians are hedonists, peaceful

and easygoing as opposed to the neurotically tense Albanians and Serbs. Blood may be spilled in the process - but sparsely and symbolically. No major disruption will occur. The economy will thrive on the conflict. It is a pathological, parasitic, short-term kind of prosperity - but it is prosperity, althesame.

It is when the area calms down sufficiently for the West to lose interest - that Macedonia should begin to worry. Who will then finance the insane trade deficit? Who will support the eerily strong currency? Who will cater to the military needs of this nascent democracy? Who will save it from its own robber barons, crony capitalists, corrupt politicians and outright criminals?

The only hope is foreign investments. It is worth repeating. Macedonia can achieve market discipline, functioning public institutions, a tolerable level of corruption and internal economic (and thereby political) stability only through the discipline imposed by foreigners. Perhaps the Yugoslav Federation was not such a bad idea after all.

It is said that Tito drank only Czech beer. But Tito is dead and the list of preferred immigration targets among all these warring nationalities does not include Prague. They would rather go to Germany or Russia. There is no real risk of a wave of refugees knocking down Czech border defences. But with its depressed economy and surging crime, Prague regards every potential immigrant as a potential threat. If the gates are not opened to them willingly - the refugees might choose to knock them down.

*(Article published September 19-25, 1998 in "Middle East Times")*

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## The Black Birds of Kosova

### The Onset of Cultural Imperialism

The real war over Kosovo hasn't even started yet. When NATO coerces Yugoslavia into submission, when the smoke clears and the charred remains of corpses and houses cleared - then the REAL conflict will erupt. It will be a conflict between moderate Albanians (as represented by Ibrahim Rugova) and radical Albanians (the outlandish Maoist-Islamist admixture represented by the KLA). And it will be bloodier by far.

This is because this new type of war can never be decided, not even by way of weapons. It is a clash of cultures, a battle enjoined by civilizations. And it cuts across the Kosovars as sharply as it separates the West from Yugoslavia. Thus the Kosovo war will be continued by the Kosovars themselves because they, too, are culturally split along the same inflamed lines (Liberal versus Non-liberal). "But, surely" - you would say - "there is nothing new about THIS". But there is.

In the past, nations or clusters of nations or tribes went to war ONLY in order to protect national or tribal or group interests. More food, more space, control over important lines of transport and communications, access to markets, women (to ensure reproduction), the elimination of a foe or a potential foe, loot, weaponry - hard, cold interests underlied all armed conflicts.

Culture and religion were used as fig leaves to disguise the true nature of wars. The colonial wars of the 18th and 19th century were ostensibly fought with the aim of educating the savages, converting them to the right religion and bestowing upon them the blessings of civilization. Mineral wealth, routes of transport, strategic vantage

points - were all presented as secondary afterthoughts or side benefits. This is the way it was presented to the public. The truth, of course, was absolutely the opposite.

The Kosovo conflict is the first war in history where WYSIWYG (what you see is what you get). Europe in general and NATO in particular have no interests in the godforsaken piece of land known as Kosovo and Metoxhia. It is not strategically located (it is all but inaccessible). It is poor (except some minerals of which there is a world glut). It is not strictly "European". It is partly Moslem and allied with the likes of Iran, Osama Bin Laden and Albania. It involves a small number of people (1.8 million). Operation Allied Force is NOT about the defence or furthering of self-interests. It is about conflicting cultures.

The West is trying to impose its culture - liberal and capitalist - upon other societies. Whenever popular opinion (even if expressed democratically and peacefully) does not conform to Western values - the West does its best to undermine the choice as well as the chosen. The West's definition of a legitimate regime is very peculiar and not very rigorous logically. A legitimate regime is one chosen by the people providing its values are Western values or closely conform to them. All other regimes - no matter how strongly upheld by free public opinion - are not legitimate, even illegal and can be deposed and disposed of with moral impunity. Khomeini came to power on the crest of a wave of unprecedented popular support and he supplanted a cruel and corrupt dictator. Milosevic was freely elected by a majority wider than Clinton's. In Algeria and Turkey freely elected Islamists governments were toppled (or prevented from taking office, in the case of Algeria) by the army with the West's enthusiastic though mute consent. This "Allende Syndrome" is in play now in Kosovo.

It is politically very incorrect, I am sure, to say that only a small minority of humans adhere to Western values (and most of the adherents only pay lip service to them). Human rights are an alien concept in Africa and the Balkans. Individualism is an alien - even repulsive - concept in China, Japan and most of South East Asia. Competition is a value derided in most parts of the world. Income

disparity and the toleration of abject poverty as an inescapable consequence of capitalism (the "Anglo-Saxon Model") are rejected even in Continental Europe itself. Freedom of Speech is much more curtailed in France than in the USA. Privacy is less respected in the USA than in France. Western values are not universal even in the West.

The nations and societies of the Balkans are used to solving their problems by employing ethnic cleansing, armed brutality, suppression of civilian population and decimation of the elites of the enemy. This is not a value judgement. It is a statement of historical fact. Bulgaria has done it to its Turkish citizens as late as 1995. It used to be the same (and much worse) in Western Europe until 1945. Nations - like human beings - have a growth trajectory. It cannot be hastened or imported. It must grow from within, by integrating experiences, including painful and traumatic ones. Peaceful co-existence often follows and is the result of a devastation so great that no other alternative but peaceful co-existence is left. Any foreign intervention serves only to exacerbate the situation by increasing the number and intensity of inter-ethnic grudges. The seeds of the current conflict in Kosovo were sown by the Ottoman Turks as early as 1912. Foreign interventions tend to boomerang in the Balkans. Actually, they boomerang everywhere. Ask Israelis how they fared in the Lebanese quagmire.

The West should have respected the Balkanian way of conducting their affairs and resolving their differences. It should have left them to slaughter each other in peace. These are young nations (having been freed from all foreign occupation only as late as 1945 after centuries of subjugation). They need to learn from their OWN experiences. They need to reach the point of exhaustion beyond which there is only peaceful co-existence. Violence solves nothing, on the contrary, it just reinforces the Balkanian conviction that he who carries the big stick has justice on his side.

But how did this apparent transition from interest-wars to culture-wars transpire?

Indeed, the transition is only apparent. The key is the transformation of culture from something ethereal and transcendent

- to a strong self-interest as any other. Once culture became an asset to protect, cultural wars were certain to erupt. Thus, it is still self-interest at the basis of it all but this time the self-interest protected and furthered is cultural dominance and hegemony.

It started rather innocuously and inadvertently. The Americanisation of the world was perceived to be the historical equivalent of the Pox Romania. This was a false analogy. The Pox Romania was rampant pluralism. The Pox Americana is rampant homogeneity.

Then the West (notably America) suddenly realized the economic dividends on cultural homogeneity (for instance as evident in various forms of intellectual property - movies, music, software, TV, internet). Culture - the oft-neglected stepsister of economics - became an INDUSTRY. A money-spinner. It was well worth the West's while not only to sell mass produces culture to homogenized markets - but also to make sure that these markets were peaceful, stable, accessible and free. If necessary, this was to be secured by force.

Paradoxically, in this age of moral relativity and political correctness - the West is ASHAMED to admit that this is a cultural war where one of the parties is trying to impose its cultural values on the other for utterly utilitarian reasons. Instead, the war is presented as a matter of national interest of the OLD TYPE.

But then what IS the OLD TYPE of the national interest of the USA, Europe, EU and NATO? Isn't it the preservation and immutability of existing borders? The suppression of irredentist and separatist movements? The abolition of terror? The prevention of large-scale dislocations of endemic populations? And if so, wasn't the best way to ensure all the above - to allow Milosevic to cruelly and ruthlessly eradicate the KLA and intimidate the local population into submission? Hasn't the West adopted these very tactics (of encouraging local bullies to suppress and even eliminate local restive populations) in Latin America in the 70's and 80's and in Africa in the 60's and 70's? Didn't the West (wisely) turn a blind eye on China, Russia, Israel, Iraq (prior to 1990) and others only recently when they did to their population what Milosevic did not dare to do to his?

The Kosovo war - it is clear - is CONTRARY to any conceivable OLD TYPE self-interest of the West. It costs the West dearly and will cost it even more - and not only in monetary terms. The loss of prestige, moral standing, world support, economic resources, world trade (the blocking of the Danube) far outweighs any possible rendition of the old school "national interest". It is the protection and propagation of the West's culture that is at stake, replete with human rights, civil rights, capitalism, individualism and liberalism. It is a defining war - not only militarily (the future of NATO) but also culturally (the identity of the future global market). Poor Milosevic, look what he got himself into.

*(Article published May 10, 1999 in "The New Presence")*

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## The Defrosted War

### Russia's Role in a Brave, New World

A president (almost) impeached. An important politician sacked due to incompetence. Business tycoons under investigation. The USA? No, this is the new, post-communist, Russia. Many firsts, meagre experience, numerous blunders. Is it democracy in action? No, it is simply autocracy exposed. The same machinations went on in Ivan the Terrible's court, the same conspiracies enshrouded Peter the Great's cabin, the same conflicts besieged Stalin. Ask Khrushchev.

The great mistake of the West is the deeply ingrained naive belief in progress. History is cyclical. Otherwise we could have learned nothing from it. The nations of the Balkans will still be dividing and re-dividing their blood stained enclaves and the Russians will still be under autocratic rule and the Americans will still be moralizing in the year 3000. History teaches us fatalism or, at least, determinism.

Russian autocrats refined the art of divide et impera (divide and rule). They always had a keen eye for conflicting interests. They pitted one group against another dangling carrots aplenty in front of the drooling vassals. The recent shuffle was no different.

There are three major camps in Russia today. There are the "Reformists" - young, well-educated, pro Western, with economic savvy, forward-looking, corrupt. There is the "Old Guard" - old, guarded, backward, centralist, anti Western (actually, anti American), corrupt. And there are the nationalists - ideologically eclectic, rigid, radical, dangerous, corrupt.

Yeltsin is the ultimate puppet master. The Old Guard was good to stabilize a nose-diving economy and a disintegrating body politic. They knew where the levers are and how to use them, they possessed

all the right dossiers, they were chums with the Communist Duma. But they proved to be too independent and too dangerous. They aspired to the presidency (Primakov). They were too anti-Western and, thus, risked the only reliable source of financing in the absence of tax collection (the IMF funds). They espoused geopolitical brinkmanship. They were cold war in an era of defrosted war. There is no money in cold war mantras. In an age when money is the only ideology - they did not adhere to the party line. They posed a threat not only to Yeltsin's authority - but also to the economic well being of Russia.

Having looked into the abyss in the early stages of the Kosovo crisis (remember the re-directed ballistic nuclear missiles) - Yeltsin engaged in a surprisingly elegant volte-face. He appointed Chernomyrdin, a pro-Western, quasi-Reformist, to contain the Kosovo damage. And he fired Primakov, the hawk. The IMF gave Russia 4.5 billion dollars that it swore blue in the face not to give Russia only a month before. A coincidence, needless to add.

Yeltsin doesn't give a hoot about Kosovo. All he wanted was to re-establish his domestic authority and to quash especially insolent and increasingly dangerous investigations into his murky financial dealings. Kosovo was an added bonus. A joker in an already excellent hand. Yeltsin put it to deft use.

By sending Chernomyrdin to sort out the Balkan mess, Yeltsin killed a flock of birds with nary a stone. He signalled to the West that a pro-Western, pro-Reformist team is in control again and that the bad guys have been consigned to oblivion. He signalled to the Duma and to politicians of every colour and denomination who is the boss. The Duma took the hint and promptly dropped the impeachment charges and confirmed the nondescript (but very ominous) Stepashin as the next scapegoat. He enhanced the geopolitical standing of Russia and already converted some of it into hard cash, averting an otherwise certain default of the Russian Federation. He allied himself with most of the "progressives" and "liberals" of the world from China to the Guardian in London. And, in his role as peacekeeper, he effectively extricated Russia from the

war psychosis that Messrs. Primakov et al. were trying to plunge Russia into.

But why did the West - especially the USA - collaborate with this St. Vitus dance?

Because they wanted Yeltsin to achieve all the above goals. Because it served to neutralize Russia as a potential, backdoor combatant, a-la Vietnam. Because they really had no more effective channel of communication to Milosevic. Because it is better to have your dependent as mediator - then a real independent. Because they had no choice: many NATO members would have protested had Russia's help been rejected. And because Russia has to be part of any future settlement.

Sometimes, as Freud said, a cigar is just a cigar. Only this time it is a smoking cigar. There is more to the intricate USA-Russian choreography than meets the eye. The USA is in no hurry to finish this particular "air campaign". Meetings are scheduled a week apart. The same proposals and the same envoys keep shuttling back and forth.

This is because Russia and the USA see eye to eye. They want Serbia weakened and Milosevic dead (if possible). They understand that "Great Serbia" is Milosevic's dream - but the world's nightmare. Everyone is holding out. Everyone - Russia included - want the Serbs to cease to be a viable fighting force. As time passes, Russia will become more and more confrontational but this time the culprit and the recipient of their vitriolic diatribes is likely to be Milosevic. It is good for the West and it is good for Russia because it is Russia that will fill in the vacuum left by the debris of the Milosevic regime. The USA couldn't be happier. It wants out of the Balkan - never to come back.

At this stage, the poor nations of the Balkan are deluded into believing in a future, Western sponsored, "Balkan Marshal Plan". They are in for a rude awakening. The minute the war ends - the USA will vanish, leaving the resulting mess to the natives, to a fragmented Europe and to Russia, who asked for it by getting involved.

The only money likely to be invested in the region by the USA is in the reconstruction of the Chinese embassy.



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## The Bones of the Grenadier

### Endgame in the Balkans

The (cyclical) victory of capitalism led westerners of all colours and stripes to believe in solving problems by throwing money at them. Prosperity, international trade, foreign investment, globalisation and joint ventures are the new magic formulas. Mathematically put this superstition is often presented thus: the propensity to fight decreases in direct proportion to the amount of economic common interests of the potential rivals. Thus, instead of tackling core issues - the West tries to drown them in a green deluge of US dollars. Where the west should have tackled a corrupt and autocratic mentality (Russia) - it commits funds through the IMF instead. Where it should have applied itself to interethnic tensions and rivalries (the politically correct phrase denoting racism) - it rebuilds infrastructure.

If the "throw money at the problem" theorem were right - and it never was, not even once in human history - the Yugoslav wars of secession and succession would have never erupted. Former Yugoslavia was economically independent and prosperous. It constituted an effective and dynamic free trade zone between its six constituent republics. Resources were allocated within it with reasonable efficiency. Macedonia produced raw materials. Slovenia processed them. Croatia consumed them, added some industrial products of its own and all of them traded with Serbia, the seat of the administration. Yugoslavia was rather self sufficient and conducted much of its value added and trading activities in-house. The gap between its GDP and GNP only a decade ago, reflects what used to be this rather efficient and lucrative market, a mini-EU in

the Balkans. The envy of all other socialist countries it was mooted to become member of the EU (then, the EEC) when the thought of the Czech Republic as a member would have elicited condescending smiles. Heavy industry, light manufacturing, construction and engineering all flourished. Yugoslavia's exports boomed. It had a proto-capitalistic system of ownership and a Japanese-style system of management. It introduced the IMF and its reforms in 1980, when Tito was still alive and years before any other socialist country. The reforms of Ante Markovic (the 1989-91 federal prime minister) are still a model of "free enterprise with a socialist bend". On purely economic grounds, the Yugoslav wars were and are a colossal insanity.

The new Yugoslavia endured economic devastation to fight a losing war aimed at securing the interests and safety of Serb minorities in the newly formed Republics of former Yugoslavia (NOT to establish a "Greater Serbia" as Western propaganda has it). Macedonia withstood a multiple embargo by its neighbours Greece and Bulgaria because it wouldn't change its name or the historical status of its language. The economic price that Macedonia was forced to pay was mind boggling (the affair with Greece is dormant now but far from over) - and it was nothing compared to the Serb tally. The Jews, in contrast, were busy signing economic agreements with Germans less than 6 years after the holocaust. A different order of priorities, surely.

Having lived in the Balkans and worked there for almost a decade, I am forced to conclude that economic arguments are absolutely meaningless when they clash with the proud and romantic nationalism of the likes of the Serbs. If offered in isolation, economic incentives will do nothing to reduce future conflicts or contain them. Marshal plans, future EU membership (or current EU "new" association), IMF soft loans, World Bank effective grants - will all fail to preclude future armed conflicts as they have always failed in the past.

Take Bosnia-Herzegovina. By now, the West - through the various organs of its global financial architecture - has committed well over 5 billion USD to this godforsaken piece of land in the middle of nowhere. This is almost 3 times the official GDP of this country. It is

the equivalent of 20 trillion US dollars invested in the USA in four years time. All this was in order to cement the cohesiveness of this artificial concoction of a state and to secure its future as a political (read: economic) unit. It failed, miserably so. The Republika Srpska is nowhere nearer to integrating with its Moslem and Croat neighbour. The common currency did nothing to foster a common identity. And the place represents an abysmal reversion to old colonial habits with a governor to regulate the unruly and unyielding natives, by the application of force if need be.

Indeed, the ethnic wars of the modern era are a direct result of said colonial period. Borders, drawn at random and with a minimal and arbitrary knowledge of the terrain and its inhabitants - led to a hundred years of correctional warfare by the victims of this patronizing ignorance. The rule of thumb is simple: people cannot live together. Humans are misanthropes, they love to hate the different, the other. Therefore, it is best to encourage the formation of ethnically homogenous political units - where ethnic affiliation counts and of ideologically homogenous political units where ideology matters and of racially homogenous political bodies where race equals identity. A simple rule derived from the 5000 years of trials and errors called "human history".

The USSR disintegrated peacefully because it disintegrated into ethnically homogenous entities (or entities with clear ethnic identities and majorities). In the process Russia gave up oil reserves, mineral riches, space launching sites, strategic locations and much of its nuclear and conventional weaponry. Despite all these incredible sacrifices, it was a peaceful process.

The Czechs separated from the Slovaks in a bloodless break-up of their common state because the two resulting entities were ethnically homogenous. Well, almost - hence the persecution of the Roma in both countries.

Slovenia and Macedonia seceded from the Yugoslav Federation without as much as a shot (except for the first few days of Slovenia's independence when confusion ruled supreme) - because there were very few Serbs in either. Slovenia and Macedonia are ethnically homogeneous (Macedonia with a sizeable Albanian minority, though).

Hence their status as islands of peace and tranquillity in an impossible region. The war with Croatia and more so in Bosnia was a direct result of ethnic heterogeneity.

The not-so-implicit deal in the case of the USSR and the Czech Republic was simple to grasp and very effective. "You will peacefully break up into ethnically homogeneous units - and we will support you financially and initiate you into our economic superstructures." It worked. It still is working. But it was not the deal offered to the former Yugoslav republics. To them the West's message was: "You will peacefully break up into ethnically HETEROGENEOUS units - and we will support you financially, subject to painful and sustained reforms."

It is time to recognize the folly and the fallacy of this last message. Yugoslavia in particular and the Balkans in general must be "re-designed" into ethnically homogeneous political units. If this necessitates the re-drawing of now dangerously obsolete borders - let it be so. It would make a lot more sense to dismantle Bosnia and unite the Republika Srpska with Yugoslavia (Serbia) and the Croat bit with Croatia. The Muslims can have their political unit, if they wish. Parts of Kosovo must go to Albania. The borders have to be redrawn. The result should be a series of ethnically homogeneous states - viable, cohesive, peaceful and able to concentrate on economic warfare rather than on the economics of war.

To achieve this goal, colonialism must be revived. Operation Allied Force is a colonial war without the mercantilist emphasis of days gone by. It is a coalition of rich countries, led by a superpower, attacking and subduing a regional bully. As in the good old days, borders are effectively redrawn (Kosovo's "extensive self government"), new political entities formed, alliances with one group of natives against another abound, military hardware coupled with economic prowess are pitted against local aspirations which do not conform with a moralistic "global view" of the world. The absurd is that - because colonialism is not politically correct and is condemned by all with great vehemence - the colonial powers of today are castrated. These eunuchs of geopolitics do not dare to carry their military and economic clout to its logical and beneficial

conclusion. In other words: they do not dare to DICTATE a solution and impose it rather than engage in endless consultations with local parties and amongst themselves.

We need a new Berlin Congress. We need a new Bismarck. He said that the whole Balkan is not worth the bones of one Pomeranian grenadier - but this did not prevent the newly born (and recently victorious) Germany from engaging in the redesign of South Europe. Unfortunately, the Berlin Congress was a shoddy job, more influenced by the narrow self-interests of the participants than by any grand vision or integrity of intentions. To the reshapers of Europe of that time it was more important to adversely affect the interests of Russia and Turkey than to create a long lasting peace and the conditions for prosperity. It was bound to fail and it did and it still does.

This is the second chance (not counting communism). This is the time to redefine South Europe and the Balkans. This is the time to draw logical borders, which reflect not whims and eccentricities, paranoias and ignorance, condescension and malice - but demography and history, national aspirations and disparate cultures and narratives. Let each ethnic group live within safe and internationally guaranteed borders. Let them work in harmony across borders - rather than engage in conflicts within them. Let the Albanian lands go to Albania, the Serbian lands to the Serbs - as the Czech lands are to the Czech and Russian lands are to the Russian. Only then will peace prevail as it does in Western Europe and in Scandinavia today - the scenes of centuries of battles and bloodshed.

*(Article published May 31, 1999 in "The New Presence")*

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## Millenarian Thoughts about Kosovo

*"English persons, therefore, of humanitarian and reformist disposition constantly went out to the Balkan Peninsula to see who was in fact ill-treating whom, and, being by the very nature of their perfectionist faith unable to accept the horrid hypothesis that everybody was ill-treating everybody else, all came back with a pet Balkan people established in their hearts as suffering and innocent, eternally the massacrée and never the massacerer."*

(*"Black Lamb and Grey Falcon - A Journey through Yugoslavia"* by Rebecca West - Penguin Books 1994 edition p.20)

Rebecca West's book was first published in 1940. By that time, it was common wisdom that the Balkans is the place where the destiny of our world is determined or, at the very least, outlined. Had she lived today, she would have had no reason to revise this particular judgement of hers.

The Kosovo "air campaign" exposed and brought to culmination a series of historical processes whose importance cannot be exaggerated.

### ***The Russian Revolution***

Forced to choose between nationalist delusions of imperial grandeur and modern capitalism and its attendant, individualism - Russia chose the latter. The ever-surprising Yeltsin completed the revolution he started in 1990 by deposing of the last vestiges of stagnation personified by Primakov. The remnants of the former nomenclature, the establishment figures, the fossils in the ideological swamp that communism has become - were given the penultimate slip. Russia was forced to peer into the abyss of its own

corruption, nepotism, criminality, social and political disintegration and military impotence. It was forced to do so by the developments in the Kosovo crisis. It was made to elect between pan-Slavism and pan-capitalism. For a while, it seemed to have been choosing the former - leading to an inevitable and suicidal confrontation with the victorious civilization of the West. Then it recoiled and chose the IMF over the KGB, material goods over ideological fervour, the new myths of modernity over the old ones of blood-steeped patriotism.

It is a momentous event, the consequences of which cannot yet be fully fathomed. Extrapolating Russian history, it would be reasonable to expect a backlash in the form of a counterrevolution. A communist counter-revolution being unlikely - we can expect a fascist-criminal counter-revolution. But it is as safe to assume that the revolution is irreversible, setbacks aside. It is irreversible because for the first time it generated vested interests not only for a select elite - but also for everyone. Prosperity tends to trickle down and, as it does (forming a middle class in its wake) - it knows no boundaries of class. The real revolution has just been completed in Russia, 70 years after Lenin's death. And all classes are about to win.

### ***The Second Cold War***

The outlines of the second cold war have emerged. It is to be fought between a prosperous, almighty, vainglorious, narcissistic, self-righteous, contemptuous and increasingly disintegrating USA and an equally disintegrating China on the economic ascendant.

The second cold war (already in progress) is fought not between foes - but between partners. The extent of economic interests common to the two current combatants far exceeds anything achieved in the high moments of detente between the USA and its previous rival, Russia. This cold war is about markets and cultural dominance - not sheer, projected, military prowess. It is a throwback to earlier days of colonialism and mercantilism and it is laden with historical memories and sensitivities.

The aims are different, as well. China wishes to force the USA to throw open the gates of the global marketplace, currently zealously guarded by the only superpower. The IMF, the World Bank, the WTO



are all believed to be extensions of the American economic clout, put to the use of its geopolitical interests. Russia forced its way into the G8 but China has much loftier ambitions. It is not in pursuit of membership in gentlemen's clubs - it aspires to real, raw power. It wants to carve the world between itself and the West. In short, it wants to dominate and to export and it wants the West to help it do so. In return, it promises regional and internal stability and access to its markets. To convince the West of the quality of its wares, China demonstrates its capacity to destabilize in various corners of the world. It transfers weapons technology, support international terrorism and rogue states and, in general, places formidable obstacles in the path to Pax Americana, the New World Order.

The Americans regard this as a reasonable deal but they wish to reverse the cause and the effect. First, they want to gain unhindered access to the potentially infinite Chinese market and to have the Chinese deliver the regional and international stability they claim to be able to deliver. Only then are they willing to contemplate the coveted prize of graduating to the co-ownership of the world financial and economic architecture.

China is fighting for legitimacy, recognition, access to markets, capital and technology and the ability to reshape the world in its favour. The USA is fighting to check progress of the Chinese on all these fronts. Such fundamental differences are bound to lead to conflict - as, indeed, they have.

In this sense, the bombing of the Chinese embassy has been an auspicious event because it allowed both parties to break through, to unlock and a deadlock and to make progress towards a fuller integration of China into the WTO, for instance. It also legitimised the airing of grievances against the style and conduct of the USA in world affairs. In short, it was cathartic and useful.

#### ***The Demise of the Client States***

The concept of the client states is so well entrenched in our historical consciousness that its demise has been denied and repressed. There are no longer alliances between powerful political units (such as the USA) and smaller, dependent, satellites. The

kaleidoscopically shifting interests of the few remaining global powers dictate geopolitical transience and ideological transparency. These adaptive processes lead to a myriad of alliances, forever changing to fit the needs and interests of the moment or to cater to future contingencies. Thus, Russia ignores Yugoslavia's pleas for help, China allows the USA, Japan and South Korea to conduct direct negotiations with North Korea, America bullies Israel into a settlement with the Palestinians (who support Iraq), the UK and the USA impose a peace plan on the IRA, Russia respects an embargo imposed on both Iraq and Yugoslavia and so on. These are the roots of a truly global order. It is also the death knell for rogue and "insane" states. Devoid of their patronage, these countries are gradually tamed by the awesome twin forces of the global market and international capital and information flows. Iran moderates, Libya surrenders, Yugoslavia succumbs, the only exception being Iraq.

This is NOT to say that warfare is a thing of the past. On the very contrary. In the absence of the overwhelmingly restraining impulses and impositions of the superpowers - ethnic strife, border skirmishes, the proliferation of weapons of mass destruction - all are likely to increase. But these are already affairs of limited importance, confined to parts of the world of limited importance, and fought amongst people of ever more limited importance. War marginalizes the warriors because it takes them out of the circulation of capital, information and goods. Decoupled from these essential flows, warring parties wither and shrivel.

#### ***The Convergence of Economic and Military Alliances***

The Kosovo crisis started as an exercise in self re-definition. NATO used it to successfully put its cohesiveness to test. It acted sanely and its hypercomplex set of checks and balances and more checks scored an impressive success. As a result, the limited aims and means of the campaign were maintained and NATO was not dragged into either British belligerence or Italian and Greek defeatism. It was the second time in recent history (the first being another multilateral military campaign in the Gulf in 1991) - that a military

move did not degenerate into full-scale insanity of carnage and bloodshed.

NATO emerged as a self-restrained, well-choreographed, well coordinated body of professionals who go through motions and off the shelf plans with lifeless automatism. While somewhat aesthetically repulsive, this image is a great deterrent. We fear cold-blooded, impartial machines of war more than we do any hot-blooded, sword-wielding fanatic. NATO acted with the famous German industrial efficiency that gave warfare a bad name. It was "surgically precise" and civilian casualties were alchemically converted into "collateral damage". The well-practised Jamie Shea is an exceptionally chilling sight.

Thus, a policeman was born to police the emerging world of international commerce, true multinationals, boundary-less flows of data and chaotic reactions to changes in local variables. This policeman is NATO and it wields an awesome club. As it chooses which criminals to discipline, it transforms the nature of previously unruly neighbourhoods. For this, at least, we should be grateful.

*(Article published June 6, 1999 in "The New Presence")*

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## NATO's Next War

The real, protracted, war is about to start. NATO and the international peacekeeping force against an unholy - and, until recently, improbable - alliance. Milosevic (or post-Milosevic Serbia) and the KLA against the occupying forces. It is going to be ferocious. It is going to be bloody. And it is going to be a Somali nightmare.

Why should the KLA and Serbia collaborate against NATO (I use NATO here as shorthand for "The International Peacekeeping Force - KFOR")?

Serbia - because it wants to regain its lost sovereignty over at least the northern part of Kosovo. Because it virulently hates, wholeheartedly detests, voluptuously despises NATO, the "Nazi aggressor" of yester month. Serbia has no natural allies left, not even Russia, which prostituted its geopolitical favours for substantial IMF funding. Its only remaining natural ally is the KLA.

The KLA stands to lose everything as a result of the latest bout of peacemaking. It is supposed to be "decommissioned" IRA-style, disarmed ("demilitarised" in the diplomatic argot) and effectively disbanded. The KLA's political clout rested on its ever-growing arsenal and body of volunteers. Yet volunteers have a strange habit of going back whence they came once a conflict is over. And the weapons are to be surrendered. Devoid of these two pillars of political might - Thaci may find himself unemployed, a former self-declared Prime Minister of a shadow government in Albanian exile. Rugova has the coffers, filled to the brim with tens of millions of US dollars and DM raised from the Albanian Diaspora worldwide. Money talks, KLA walks. Bad for the KLA. Having tasted power, having met cher Albright on a regular basis, having conversed with Tony Blair and Robertson and even Clinton via expensive high tech gadgets -

Thaci is not likely to compromise on a second rate appointment in a Rugova led administration.

And the bad news is that he doesn't have to. Bolstered by a short-sighted and panicky NATO, the KLA post-bellum is not what it used to be ante-bellum. It is well equipped. It is well financed. Its ranks have swelled. It has been transformed from an agglomeration of desperadoes - to a military guerrilla force to be reckoned with. Even the Serbs found that out at a dear price.

With the Serb pullout from Kosovo, Serbia is no longer the KLA's enemy of choice. The KLA has seen the enemy and it is NATO. The pro-Rugova demonstrations in the camps (despite Rugova's Quisling show with Milosevic and his refusal to explain his motives and to adopt a stern position against the Serbs) - sounded loud and clear. Thaci picked up the signal.

No Kosovar autonomy can do without Serbia. Kosovo is connected to Serbia by way of infrastructure. All its trade is with Yugoslavia. It is absolutely dependent on Serbia for its energy needs. Rugova knows this. Thaci knows this. And Milosevic knows this. Only NATO pretends that Kosova can survive as an independent, economically viable entity. It cannot. It is a part of Serbia, willy-nilly and it will continue to be so. Rugova and Thaci will be positioning themselves accordingly and will seek the favours of the only regional force that really matters: Serbia. Rumour has it that discussion have already commenced in Prague between Yugoslav low-level officials and Rugova and Thaci representatives of their competing administrations.

In conducting these discussions, Milosevic's aim is two-fold. Divide et impera - he intends to do his best to inflame the nascent internecine civil war about to erupt in Kosovo. By offering goodies to both camps, Serbia pits them against one another. By being inconsistent and unpredictable (remember Serbia's refugees policy?) - the Serbs enhance a Kosovar personality disorder. Dazed by the arbitrariness and capriciousness of a vicious neighbour - the Kosovars will lash at each other in an effort to offload their frustration and aggression.

Lucky Serbia. Its infrastructure all but eradicated - it will enjoy the best and latest replacements courtesy a multitude of international financial institutions and NGOs. Materially revamped, nationally revived, militarily vindicated, an invigorated power that withstood the mightiest alliance in history - Serbia is in an excellent position to emerge as an important, nay, indispensable, regional, pivotal player. It can have its choice. In Rugova it will find a genteel, compliant, respectable and submissive partner. In Thaci - a fellow bully. Serbia can conduct business with both. As it tramples over internal dissent, suppresses Montenegro and tightens its grip on its minorities - Serbia will strive to split Kosovo. It will be content with the mineral-rich, historical north. Thaci will be content with any kind of foothold, a stepping-stone on the way to a Greater Albania. There are grounds for doing business and business will be done, indeed.

Poor Kosova. Lucky Serbia. With such opponents, one need not have friends. And, in the background, NATO stumbles on into its worst nightmare, into an apocalyptic tapestry of exploding mines, KLA sniper fire and mortar attacks, Serb revanchism, material devastation, mass starvation and geopolitical destabilization. It is this war: gradual, nerve wrecking, multi-annual, expensive, replete with body bags and horror scenes - that will do NATO in. It is the end of NATO, only it does not know it. It has contracted the humanitarian cancer and its days are numbered.

Milosevic is smiling. He won the war. Completely. And the world has yet to learn it.

### ***Post Scriptum***

It is ever so easy and rational to disregard the above scenario. It is abrupt, illogical, paradoxical. The Serbs and Milosevic are surely the KLA's worst enemies. No peace - even one mediated by a confluence of interests - can blossom among the ruins of coexistence and trust shredded. A KLA supported by the Serbs against NATO is as outlandish as an Iraq supported by the USA against Israel.

But the Balkan is a region characterized by its fluid alliances and structures. Rebecca West, in her masterpiece, "Black Lamb and Grey

Falcon" tells of an alliance no less unholy and no more improbable than a KLA-Milosevic one (pages 840-1 in the 1994 Penguin edition):

*"It happened that the Slavs who had become Janissaries, especially the Bosnian Serbs, who had been taken from their Christian mothers and trained to forswear Christ and live in the obedience and enforcement of the oppressive yet sluttish Ottoman law, had learned their lesson too well. When the Turks themselves became alarmed by the working of that law and attempted to reform it, the Janissaries rose against the reformation. But because they remembered they were Slavs in spite of all the efforts that had been made to force them to forget it, they felt that in resisting the Turks, even in defence of Turkish law, they were resisting those who had imposed that Turkish law on them in place of their Christian system. So when the rebellious Janissaries defeated the loyal Army of the Sultan in the fourth battle of Kosovo in 1831, and left countless Turkish dead on the field, they held that they had avenged the shame laid on the Christian Slavs in the first battle of Kosovo, although they themselves were Moslems. But their Christian fellow-Slavs gave them no support, for they regarded them simply as co-religionists of the Turkish oppressors and therefore as enemies. So the revolt of the Janissaries failed; and to add the last touch of confusion, they were finally defeated by a Turkish marshal who was neither Turk nor Moslem-born Slav, but a renegade Roman Catholic from Dalmatia. Here was illustrated what is often obscured by historians, that a people can be compelled by misfortune into an existence so confused that it is not life but sheer nonsense, the malignant nonsense of cancerous growth."*

This is reminiscent of the Gorani Moslems in 1999 Kosovo who collaborated with the Serbs against their co-religionists, the Albanians. They persecuted the Albanian population - looted, burned houses and worse - more tenaciously and more ferociously than any Serb.

In hindsight, Milosevic would have done well to co-opt the KLA. By pitting it against Rugova and provoking Rugova's camp against a strengthened KLA - Milosevic could have incited a veritable, full fledged civil war among the Albanians. The West would have then

begged him to intervene in his by now traditional role of peacemaker. But history took a different turn. The returning Albanians will not forgive or forget. Retaliation has many faces, some less bloodied than others. But retaliation will come. And while Milosevic may have won this battle - he may, indeed, have lost the war. Only history will tell.

*(Article published June 14, 1999 in "The New Presence")*

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## Why did Milosevic Surrender?

Not because of NATO. Ground damage assessment based on the number of withdrawing troops and their hardware and on a detailed inventory of charred remains in most of Kosovo - prove that this air campaign was no different to its predecessors. Only 10% of Serb artillery, tanks, APCs and so on were affected. The Yugoslav (read: Serb) army - ostensibly the side that lost the war - is vibrant and defiant. It does not look like it has been subjected to the equivalent of 12 Hiroshima size nuclear bombs in 11 weeks. It looks like it knows something that the rest of us don't.

And it does.

Milosevic did not surrender. He entrapped the West in his usual, wily style. He lured the west into a fatal hornets' nest, an unmanageable capsule of centuries-old conflicts, a terrorists' lair, replete with drug deals, gun smuggling and organized crime. Kosovo constitutes a major drugs route from the Golden Triangle, via Turkey, Afghanistan and Iran to Europe. It is an integral part of the path leading - via the polluted Vardar River - from Greece to Montenegro. It is swarming with weapons traders, drug dealers, "freedom fighters", Muslim fanatics, spies, con artists, smugglers and common criminals. Every self-respecting mob is heavily represented there - from the ruthless Bulgarian mafia to the murderous Russian one. The civilian population has long been intimidated into cooperation in all these loathsome (though lucrative) activities. Many are only too happy to collaborate.

Milosevic withdrew his forces - this is an undeniable fact. He did so after he lost the backing of Russia. Russia sold him to the West and disposed of the Old Guard, which supported him in the Kremlin. It was handsomely rewarded by that long arm of the USA - the IMF. But

Russia's betrayal is not sufficient to account for the Serbian volte-face. The turnaround in Milosevic's position was too sudden and Russia's support has always been more moral than military. Something else was at play.

Notice the following hitherto unimaginable developments:

Milosevic surrenders Kosovo to NATO occupation, including all its holy sites and lucrative mines. There is a conspicuous absence of domestic reaction by the likes of Seselji, the Serb ultra-nationalist. He quits the government - a response eerily civilized judging by his previous record.

The stunning rapprochement between the Macedonian Prime Minister, an erstwhile nationalist and Albanian-buster, Ljubco Georgievski and the self-proclaimed KLA Kosovar "Prime Minister" Hashim Thaci. The two agree to open liaison offices in each others' capital cities and to collaborate with Albania in the forthcoming reconstruction of the Balkan region. All this is happening as the Macedonian Minister of the Interior is accusing both the Serbs and the KLA of conducting subversive activities on Macedonian soil with the aim of splitting Macedonia apart. All this happens as NATO begins to clash militarily with an ever more defiant and cocksure KLA.

The Russians flex their 200-men muscles in an enclave in the Pristina airport. Yugoslavia looks upon the developing East-West choreography with a profound lack of interest. The Serb forces are withdrawing together with tens of thousands of Serb civilians, the new refugees in this never-ending saga. This, despite the FACT that Milosevic could have dragged the war on indefinitely without incurring too much damage either to his military or to his regime. Had he done so, NATO would have been the first to blink.

Why did Milosevic surrender? Why so suddenly and so surprisingly? Why did he surrender when the West and NATO were on the verge of breaking apart (recall the acrimonious public exchanges between Blair, Clinton and Schroeder just prior to the auspicious Serb capitulation)? This is very reminiscent of the German surrender in 1918. The forces in the field felt victorious. The politicians wavered. The result was a sense of betrayal and backstabbing exploited by the corporal-Fuhrer Hitler.

Sherlock Holmes used to say: *"When you eliminate the impossible, what remains, however improbable, must be the truth."* And what remains is a secret deal. A hidden agenda. A missing protocol. It is a wild reconstruction of bizarre events. It is improbable. But Milosevic's surrender was impossible - so it must be the truth or a close approximation thereof.

I think that the only reasonable explanation to this week's events is the following:

Milosevic agreed to withdraw from Kosovo and to turn it over to NATO for a limited period of time.

NATO (not too eager to remain in the province and police it forever) agreed to disarm the KLA and transform it into a docile police force cum political party. It agreed, in other words, to do Milosevic's bidding and dirty work.

The KLA agreed not to pursue its anti-Serb, pro-independence strategy. Coming from Rugova, such a policy would have been judged treasonable. The KLA was the only force, which could have delivered the climbdown.

Serbia agreed to recognize the KLA as THE legitimate force in Kosovo once demilitarised and converted. It actually agreed to support the KLA against the now discarded Rugova. The KLA needed Serbia, a natural ally in the absence of others.

The KLA and NATO agreed to let Serbia back into a KLA-dominated Kosovo later. The exact form of the final political-military arrangement has not been made clear. But it always was evident that it must - and will - include Serb sovereignty and military presence in the province. Kosovo's political future remained undetermined: a province? An autonomy? In a federation? A confederation with Serbia and a more independent Montenegro? No one knows, not even the main players. But the Serbs and the KLA and NATO are in cahoots. There is more to the "capitulation" than meets the eye.

Macedonia - informed about these backstage accords - hurried to establish good neighbourly relations with the real winners of the war: with the KLA. In this it served as both Serbia's AND NATO's long arm. A perfect venue and communication channel, Macedonia

established itself as the arena of future reconstruction and future political negotiations. Incidentally, it also secured its own territorial integrity. A happy KLA in a self-governed Kosovo will have little incentive to re-engage in subversive activities in Albanian-populated Western Macedonia.

All the participants in this tragicomedy are now going through the motions. The Serbs are withdrawing. The KLA is taking over. NATO half-heartedly tries to disarm the more flagrant KLA units. Serbia is biding its time. In a few months, it will be asked to re-enter Kosovo by both NATO and the KLA. A political phase will then begin which will result in final status negotiations. Macedonia will host, convey messages between the parties, apply pressure together with Albania and its own Albanian politicians, make promises, hold secretive meetings, and diplomatically gesticulate. If all goes well - everyone will emerge victorious. If not - all the parties are steeling themselves for a second Kosovo war, much more inevitable than the first one.

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## The Deadly Antlers

### NATO, the EU and the New Kids on the Block

The Irish elk roamed the earth 10,000 years ago. They had the largest pair of antlers ever grown - 3.6 meters (12 feet) across. Every year they grew new antlers from nubs prominently displayed on their heads. They were awesome to behold. They fought ferociously. They seemed eternal.

Then the weather changed. The earth shed its forests for new Tundra attire. The Irish elk ignored this creeping revolution. It continued to grow its antlers and, by doing so, to deplete its own reserves of calcium and phosphorus. Drained of vital minerals, unable to find enough food to restore themselves they died out, their magnificent antlers intact.

NATO has emerged from its Pyrrhic victory in Kosovo shell shocked and riven by internal strains. The European Union (EU), in the name of "Euro-Atlantic Structures", hurries to join NATO in the minefield it so unwisely occupies. Both are in danger of growing antlers too big for their own survival. There are three pairs of lethal antlers involved:

#### *a. Europe and Uncle Sam*

The misnomered Operation Allied Force employed little force (much less than during the Gulf War) and tore the alliance apart. NATO has split into a nascent European military structure (the former defunct West European Union which was officially absorbed by the EU a fortnight ago) - and an American (rather, an Anglo-Saxon) avuncularly benevolent umbrella. Europeans have yet to recover from the detached, callous and off-handed manner of the

mismanagement of the whole crisis by the amateurs in Washington. Their trust in America's insight, foresight and sagacious hindsight has been shattered by American strategic mistakes, intelligence errors, diplomatic gaffes and internal squabbling in a poll-orientated administration. The Europeans emerged with a "never again" pledge. America is not likely to be invited to Europe's parties any time soon. Europe is too much of a China shop and America - whether Republican or Democratic - too much of an elephant. As it were, there was no love wasted between these two constituents of NATO. Now they are effectively divorcing or, at least, going through a phase of not so amicable separation.

To this one should add the conflicting interests of members in this uncomfortable ménage à trois. Greece (aided and abetted by Iran) is already fighting proxy wars with Turkey throughout Central Eastern Asia (the Asian Republics of the former USSR), in Cyprus and in the former Yugoslavia. France is uneasy with the German-British Third Way and what it regards as a rapprochement between the two, which threatens its privileged status in the EU. The poorer countries and the EU regional aid beneficiaries (not always the same group) are dead set against EU enlargement to the east. The list is very long.

***b. Central Europe***

Disgusted by what they regarded as a superfluous and unnecessarily brutal war - the Central Europeans had the rudest awakening imaginable. They were forced to participate in a war effort within what they believed to be a defensive alliance. They joined NATO the introverted giant - and woke up to NATO the agile, hyperactive and violent neighbourhood cop. Hungary was forced to risk its ethnic kinfolk in Serbia's Vojvodina region. The Czechs engaged in bruising internal verbal fistfights. It was not a seemly sight. The new Central European entrants joined the likes of Greece and Italy and recoiled from assisting the war effort in any meaningful way. The shock waves are likely to reverberate for longer and transform NATO's commitment in Central Europe. It is not inconceivable to end up with

a two-tier NATO: the fighting goons and the battle-shy, logistics-only allies.

This uneasy co-existence is made even less cosy by the clear reluctance of the EU to absorb the poor relatives to its east and south. Entry deadlines are habitually postponed, bureaucratic hurdles gleefully presented, sadistic reports about the Central Europeans' lack of progress periodically issued. No wonder the six eternal candidates feel rejected and abused. This humiliating misbehaviour on the part of the EU resulted in a turning of the tide. Opinion polls show growing opposition to the idea of Europe (in the Czech Republic, for instance) - unthinkable just two years ago. The countries of the Balkan area - the "New Associates" - constitute ominous competition for funds, attention and orientation, as far as the current future members are concerned. The Lucky Six (the Visegrad Trio, Slovenia, Cyprus) are likely to be relegated to the backburner now that the EU found a new toy, the Balkans. This will engender great bitterness and enmity between the EU and Central Europe and between Central Europe and the Balkanians. Hardly a recipe for orderly transition, for democracy, or for market economy.

*c. The Balkan Sore*

The EU is known for its verbal pyrotechnics, its unlimited pool of enticing vision and its great spinning and marketing techniques. This arsenal is fully employed now to bedazzle the Balkan natives into happy submission to the seductive harmonies of the common market. The EU is dangling a cornucopian promise of eternal economic bliss in front of the bleeding, limb-torn statal rumps, which comprise the former glory of Yugoslavia. But the targets of this brainwashing will do well to look to their Central European neighbours for an antidote. The "New Association" status offered to the likes of Macedonia, Albania, Bulgaria and Romania and, later, Montenegro and perhaps, post-Milosevic Serbia is an ingenious piece of camouflage, a *fata morgana*, devoid of content. It is an evocation of hitherto repressed desires and it leads to self-delusion but it will amount to no serious attempt at integration by the EU.

The economic disparity between the aspirants and the current members is numbing. The average GDP per capita in Macedonia is c. 2000 USD per annum. This is the GDP produced by a Slovenian in 10 weeks, by a Greek and Portuguese in 8, by a German in 3 weeks. There is no convergence to talk of - the gap is increasing, not decreasing, especially following the Kosovo debacle. The legal system in these countries is biased against the individual, antiquated and totalitarian. Human and civil rights are foreign implants, inflammatorily rejected by the body politic. The economy is corrupt, nepotistic and cronyist. Crime organizations constitute a big part of the trading activities and maintain a heavy grip upon the political class. The media is mostly government-owned and manipulated. The Balkan simply is not European. It is Byzantine, Ottoman, Eastern, and Orthodox. It belongs to Turkey and the Middle East, not to Frankfurt and Paris. It is closer to Moscow than to Leningrad. It will never be successfully subsumed by the West. Turkey has been trying for decades now and has been consistently (and perfunctorily) rejected by the EU. And Turkey is an important member of NATO and a country much more developed than the likes of Macedonia or Albania.

As these unpleasant truths emerge, the bitterness, resentment and disillusionment will grow and a backlash will develop. It might wear the guise of internal strife, of isolationist policies, of wounded retreat, of terrorism - all weapons of the deceived and trampled upon underdogs. It was wrong of the EU to promise what it can never deliver and couch it in deceptively ear soothing phrases. It will pay the price in added instability and ruin.

The Euro-Atlantic structures are evolving, assuming ever more ambitious and comprehensive goals, and growing ever more impressive antlers. They roam the whole earth, administering human rights and free marketry. They impose their will. They are awesome to behold. But from within they are being depleted and consumed by their very own incoherence. It is the eternal cycle of prowess and vanquishment. NATO, struggling to redefine itself and perpetuate its totally superfluous existence. The EU struggling to secure peaceful markets to its east and south. Europe struggling to assert itself. The



USA struggling to secure its superiority in an emerging multi-polar, multi-ethnic, fractured world. All are fighting losing battles, wagging their antlers to and fro.

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## The Treasure Trove of Kosovo

Nothing like a juicy, photogenic human catastrophe to enrich corrupt politicians and bottom-line-orientated, stock-option-motivated corporate executives. The Balkan is teeming with both these sad days. Even as the war was raging, shortages of food and other supplies led to the dispensation of political favours (in the form of import licences, for instance) to the chosen few. Bulgarian, Greek and Albanian firms, owned by ruthless criminals and criminals-turned-politicians benefited mightily. Millions were made and shared as artificially high prices were maintained by various means while cronies and crime controlled firms shared the spoils. This orgiastic intercourse between the corrupt and the criminal was not confined to one country. The whole region partook in robbing the most impoverished populations in Europe by "legal" means.

Their more refined and perfumed Western brethren were never far behind in taking advantage of American largesse on the one hand and re-emerging alarmist tendencies, on the other. Thus, American, German, Greek, French and Italian firms enjoyed funds allocated to international humanitarian aid by the likes of the US government, the United Nations, the World Bank, the IMF and other long arms of the American octopus. Defence contractors and the dubious characters known as weapons intermediaries stoked the atavistic fires of war in securing defence contracts. And aid workers resided in six star hotels, driving the latest sports utility vehicles and brandishing futuristic laptop computers as they went about the business of dispensing aid. In the meantime, at least one half of all aid money was pilfered - not to use a harsher term. Aid rations were freely available in Macedonian, Albanian, Greek and Bulgarian markets - offered at a discount by aid workers who stole them from

their supposed recipients. The refugees were never given mattresses, were short of blankets, water, showers and toilets (I visited the camps - this is an eyewitness account). Only bread was abundant.

Now that the war is over, some people are counting their dead - while others are counting their blessings. But this has all been a prelude. It is the next wave of aid, which is the main course in this bacchanalia. Outlandishly feverish numbers are tossed around. Kosovo's immediate reconstruction (housing and infrastructure) will require well over 2 billion US dollars in the next 2 years. Of this, 1.5 billion dollars has already been raised. A further 2 billion USD is slated as direct aid to the shattered economies of Macedonia and Albania. But the real booty lies in Serbia. A minimum of 10-13 billion dollars will be required simply to restore Serbia's infrastructure to its former, inglorious self. To resuscitate the whole languishing area, a staggering 30 billion dollars is touted as the minimal bill.

Rest assured that at least one third of this generous cornucopia would end up lining the pockets of the rich and mighty. At least 1 billion dollars will end up festering in Swiss, Cypriot, South African and Israeli bank accounts. The politicians know it, the "grupirovki" (business cartels controlled by mafia-style organizations) know it, and Western governments know it. This is the REAL stability pact. Financially inebriated politicians are better motivated to maintain peace and stability, or so the thinking goes.

The history of the Balkans will play a major role in determining the topography and geography of this flood of cronyism, nepotism, criminality and vice. The Balkan is composed of states run by crime organizations and crime organizations run by states. Old alliances last long (as opposed to the Middle East where alliances, dune-like, shift with the winds). Bulgaria and Macedonia, for instance. Serbia and Greece. Albania and Kosovo. And now Albania and Macedonia. Meetings of regional "leaders" in the Balkans were always reminiscent of scenes from "The Godfather". The dons, uncomfortably clad in expensive business suits and wearing golden rings, deciding life and death and a jovial yet vaguely menacing atmosphere. Only the leaders of the New Balkans are much younger, less experienced,

more prone to superstition, extremism and moodiness. The old tensions are bound to re-emerge, this time in the employ of business interests. Expect a flare up of animosity between Greece and Macedonia. Despite its Bulgarophile regime, expect uneasy moments between Bulgaria and Macedonia. And expect an unholy alliance of business interests between Mr. Thaci and his sprawling business empire and the governments of Albania and Macedonia. If not assassinated before, Thaci is definitely the Man to watch. Young, well educated, ruthless, involved in business (read: corrupt to the core) - an aptly dangerous man in dangerous times.

The problem is that everyone holds high expectations. This is a poor recipe for an amicable carving of the cake of international funding. Macedonia expects to lead the reconstruction effort of Kosovo. It was offended greatly by the decision to base the Kosovo reconstruction agency in Pristina. Greek and Italian firms expect to snatch profits out of the jaws of their near treacherous behaviour during the war. Turkish firms expect to be rewarded for the loyalty of Turkey during the same. American and German firms expect to exclude all else in gaining access to American and German (=EU) funds (as they have done in Bosnia). These all are mutually incompatible expectations and they will lead to mutually exclusive behaviour. Expect some very ugly scenes, including spilt doses of this cheap, red liquid, blood.

Albania, already governed by the ungovernable crime gangs it spawned in the last few years, has formed an alliance with the KLA, never a moral standard-bearer. This expanded amusement park of drug trafficking, prostitution, weapons smuggling, contraband and much worse is now threatening to take over its more virtuous (though by no means virginal) neighbour, Macedonia. A flare up of hitherto unimaginable brotherly love has indicated this sacrilegious rapprochement. The Macedonian Prime Minister - encumbered by a demanding Albanian coalition partner - has met Thaci and the encounter had all the trappings of a state visit. Soon after senior Albanian politicians started talking about a Macedonian recognition of an independent state of Kosovo and an Albanian language university (the reason for student riots just two years before).

To a large extent, the Kosovo war was gang warfare. The Serb criminal organization known as Yugoslavia against the Albanian gang known as the KLA. It was a war over turf and lucrative businesses. In what used to be the Third World and more so in the post-communist countries in transition, criminal activities often accompany "wars of liberation". In Congo, in Sierra Leone, in Chechnya, in Kashmir - wars are as much about diamonds, oil and opium poppies as about national aspirations. Kosovo is no exception but it was here that the West was duped into intervention. NATO was called upon to arbitrate between two crime gangs. There is no end to the mischievous irony of history.

Perhaps the following incidents are more telling than any learned analysis:

In late April, the Albanian telecom switched off the roaming facility of cell phones in Albania. Foreigners - including aid workers - had to pay the company 1000 dollars for a special roaming-enabled chip.

Rumour has it that the post of the Chief of Police in the Tirana Airport was "sold" at the beginning of April for an undisclosed amount (presumably 250,000 US dollars). The reasons: all shippers (including NATO and aid organizations) have to pay enormous kickbacks to airport and customs officials to release their goods.

Most Albanian families charged refugee families an average of 500 DM a month for their accommodation in subhuman conditions. Refugees who could not pay (or who had no relatives in Germany and Switzerland to pay for them) were evicted, often cruelly.

As Serbs were murdering their supposed brothers in Kosovo, Albanian crime gangs laid an oil pipeline (through Lake Shkoder) to Serbia and supplied the Serb army with the oil it was deprived of by NATO.

Welcome to the Balkans.

*(Article written on June 27, 1999 and published July 5, 1999  
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## **Lucky Macedonia or Macedonia's Serendipity**

### **The Good Fortune of Neighbouring a Human Catastrophe**

In October 1998, the unreformed communists of the SDSM - the Socialists - lost the elections in Macedonia by a wide margin to an improbable coalition. It consisted of the VMRO - fervent nationalists with Bulgarian roots, headed by the poet-politician Ljubco Georgievski - and the Democratic alternative (DA). The latter was a hastily assembled party headed by Vasil Tupurkovski, a pro-US former member of the old Yugoslav nomenclature. DA enjoyed grassroots support especially by young professionals, businessmen and liberals. It imported Western campaigning techniques and made bold promises to revitalize and energize the economy.

When the news of the unequivocal victory of the VMRO-DA coalition arrived, the nation was swept by an unprecedented wave of enthusiasm, optimism and joy. Unprecedented because the young nation's history (its independence was declared in 1991) provided it with very little reason to be joyful. Its main trading partners were either boycotted by the world (the rump Yugoslavia) or themselves boycotted Macedonia - Greece in the wake of outlandish dispute regarding Macedonia's official name (hence the impossible FYROM) and Bulgaria because it refused to allow the use of the Macedonian language in bilateral documents. The economy collapsed, unemployment soared, investment all but vanished, corruption erupted and the Albanian ethnic minority became restive.

Macedonia was laid to economic waste by powers beyond its control. Its entrepreneurial inhabitants - fresh from 500 years of Ottoman training followed by 50 years of communism - resorted to smuggling (from Greece to Serbia through the Vardar river) and

established a reasonably functioning underground economy. The IMF and the Central Bank maintained macro-economic stability (following years of hyperinflation) at an excruciating social cost. Trade was liberalized, inflation tamed, the currency was made freely convertible and the exchange rate eerily sustained (rather, suspended).

But under-currents seethed below the tattered facade. Disenchantment with the ruling classes and their mafia-like structure increased dramatically. Intricate webs of village and family loyalties were tested to the limit in affairs such as TAT, the collapse of a savings bank in a pyramid scheme in which some top level officials were implicated. Cronyism and nepotism led to the legalized robbery of the assets of the state through bogus privatisation schemes. Some people grew exceedingly rich - others became inordinately poor. The tension was palpable. The youth felt trapped, facing a dead end future. Many emigrated.

Albanian nationalism was introduced into this explosive vapour in 1997-8. It existed long before (the KLA, for instance, became a force to reckon with as early as 1993). It constituted the main concern of the ethnic Macedonians (of Slav extract). People spoke ominously of an Armageddon to be waged between the two ethnicities.

The two communities exist separately. There are no inter-marriages, very few common business ventures and the Albanians either live in ghettos within the main cities - or in Albanian dominated cities of their own (such as Gostivar and Tetovo) in western Macedonia, across the border from Kosovo. The ground was shaking long before 1997. The mutual hatred, loathing and, above all, fear of domination and cultural subjugation were real and under a very thin veneer of civility. The inclusion of a national Albanian party (there are three) in the government was greeted as a welcome omen and respite. But this was not to be.

The ethnic Macedonian's main fear is that the Albanians are aiming to recreate a "Greater Albania" comprising the current Albania, Kosova and Western Macedonia. A natural Islamic axis (Albania-Bosnia-Central Asia) would then form and threaten the Slav peoples wherever they are (Serbs, Russians, Bulgarians). What started as the

normal friction between two ethnic groups in close physical proximity ended as a mythical re-enactment of the Islamic (Ottoman) invasion of Europe in the 14th century. A nightmare revived fraught with the fears of an economically languishing Christian-Orthodox, Slav, Byzantine civilization. A very concrete issue of land and autonomy assumed the dimensions of a cosmic clash between the titans of religion.

Officially, the Albanians constitute 23% of the population in Macedonia. But Albanian did not take well to what they regarded as coercion: the population census. They refused to be counted and evaded the census takers - to their great detriment. As a result, their numbers are severely understated. It is safe to say that well over ONE THIRD of the population was of Albanian origin long BEFORE the wave of refugees swept over this 25,000 square kilometres country. Should one third of the refugees be absorbed by Macedonia - another 80,000 Albanians - the Albanian population stands to constitute more than 40% of the population. The Albanians marry younger, have double the number of children of the ethnic Macedonian (it is a much younger population) and almost never divorce. Their families are very cohesive and tend to stick together geographically. In the year 2015 - the majority of the population in Macedonia will be of Albanian origin, if this trend continues unperturbed and one third of the refugees remain. In 1912 Kosovo had a sizeable Serb majority. In 1972 this was no longer true.

The ethnic Macedonians are appalled by this demography. They are scared. They do not believe that they can co-exist with the Albanians. Stereotypes abound: the Albanians are backward, criminal elements, illiterate, violent and expansive, say the Macedonians. And their main goal in life - for which no sacrifice is too great - is to seize land from their neighbours. Kosova is a first step - the Macedonians are convinced - Western Macedonia is next, a civil war is imminent.

Marginal efforts at reconciliation aside - the Albanians themselves did not make any special effort to assuage the fears of the Macedonians. Quite the contrary. Radical, young and nationalistic leaders abound. Rupi Osmani, the former Mayor of Gostivar, was



jailed for his activities and pardoned by the President after the new government threatened a constitutional crisis. He and his associates demanded the right to use Albanian in official transactions with state and municipal institutions - which is a reasonable demand. But they also demanded the right to hoist the Albanian flag and sing the Albanian anthem rather than the Macedonian one. Then they disobeyed the rulings of the Supreme Court and instigated violent clashes with the Police (which resulted in deaths). The establishment of a Tetovo "university" in the Albanian language did not help matters much. Regarded by Macedonian as a hotbed of much nationalism but little learning - the Macedonians refused to accredit it. Riots and counter-riots ensued, culminating in violent demonstrations of Macedonian students in the streets of Skopje, the capital.

The average salary in Macedonia is 200 Euro (=180 US dollars) a MONTH. There are c. 300,000 unemployed in a total working age population of 930,000. There is a constant balance of payments deficit of 8% of GNP. Macedonia is POOR - real poor, not relatively poor. It is poorer than any other country in Europe, with the exception of Albania. It is also insecure. Albanians and Serbs from within and from without threaten its very existence. It would do wisely to remain on good terms with Yugoslavia - not only because 50% of its trade is conducted with it - but also because Yugoslavia is THE big neighbour of the north. Long after Clinton is gone and perhaps NATO in its current form as well - Macedonia will have to deal with its perceived betrayal of Serbia. Serbs never forget and rarely forgive. They visit the sins of the battle of Kosovo (1389) upon other Moslems - 610 years later, in the same location. They are a dangerous, tenacious, resilient, ruthless and unrelenting foe to have. Macedonia is so small and helpless (no army to speak of) that it is terrified and caught between the NATO rock and the Serbian hard place. It feels blackmailed, used and exploited without real regard to its problems now and after the war is over. NATO showed its real face when it placed Macedonia (with Albania) in the last category of NATO applicants. Macedonia is a military base to NATO - here today, gone tomorrow. Who will protect Macedonia from Yugoslavia when

the foreign media circus is engaged elsewhere? This is the age of the soundbite and the videoclip. It is the generation of expediency. Macedonia can - and will - easily be forgotten. Hence its refusal to allow ground warfare from its soil (a position shared by many, including, for instance, Hungary, a NATO member, with less to lose than Macedonia).

And this is where Macedonia made a mistake. It did not manage its public relations properly. It absorbed as many refugees as Albania (10% of the population - the equivalent of 25 million Mexican refugees in the USA) and treated its refugees with reasonable decency - under hellishly impossible circumstances. The USA and the EU renege on all their commitments: financial as well as humanitarian. It costs Macedonia (UNHCR figures) c. 300,000 US dollars a day in direct expenses to host the human outcome of the NATO blunder. That's 15,000,000 US dollars in direct costs since the war started - or almost 1% of the GDP. Add to this a drop of 50% in exports and 26% in industrial production and the costs are already at least 10-15% of the GDP. These are surreal, mind-boggling numbers. It is the equivalent of the Great Depression in the USA.

Macedonia received hitherto 3 million US dollars (2 from Taiwan and 1 from UNHCR after a LOT of pressure). Oh, I forgot: and a gigantic pile of promises - to reschedule debts by one year (not to write them off, which would have constituted real help). The West lies through its teeth and when exposed it wags a moral finger at this poor, crumbling, neophyte of a country. It is a disgrace of unprecedented proportions.

Albania behaved more slickly - perhaps because its government is more veteran and perhaps because it really empathized more heartily with its suffering kin. They made the right noises and posed to the camera using the right, complimentary, angles. It won much more help than Macedonia and is universally accoladed by the West.

This is what Macedonia SHOULD have done. Open its borders in a great display of camaraderie and human passion. Wine and dine the bored, frustrated journalists on its turf, pose for the cameras, hair dishevelled, Tony Blair-like. Instead its leadership went about the business of absorbing a human wave of unheard of proportions while,

at the same time, trying to defuse tensions from within and from without. No one informed them that in today's world it matters not what one does - as what one is SEEN to be doing. This is the vital lesson. Albania will rebuild its future on the back of the serendipitous refugees of Kosovo. Macedonia will pay the price of its lack of savvy.

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volume 1, issue 5)*

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# Black Magic, White Magic

## Managing our Future

*An address given to the Council of the VMRO-DPMNE, Macedonia's ruling party, chaired by Minister of Defence and Former Prime Minister of the Republic of Macedonia, Mr. Nikola Kljusev on July 16, 1999*

Germany's economy collapsed following a reparations agreement, which sapped and consumed less than 10% of its GDP. America's economy collapsed, its unemployment soared, its stock exchange vanished and it entered a deflationary cycle, which necessitated the most pervasive federal intervention in its history - mainly because of multilateral trade restrictions.

Macedonia has endured trade embargoes, international isolation, wars, and an influx of refugees - and still survives as an intact, functioning economy. There is no civil war, no hyperinflation, a stable currency and no famine. It is nothing less than a miracle. No textbook economist would have predicted this outcome.

But Macedonia is trying to cope with its predicament in wrong ways. It is trying to change other countries, or to force or convince them to change their policies, or to engage in "Voodoo Economics". An economy cannot be run on the bases of promises, contingencies, gifts, aid and a Lotaria na Makedonija approach. Economic policy must not be based on the usual but rather on the normal. In politics, most magic is black and mostly bad things tend to happen. Macedonia is situated in an accident-prone area. It cannot and need not pretend (as Slovenia more successfully and Croatia with less success do) that it is part of Western Europe. This denial of the painful truth - that we are at the mercy of forces beyond our control

in a region resembling a mental asylum - is at the root of our economic malaise. What if Montenegro erupts tomorrow?

Macedonia cannot change other countries, nor can it influence them to change their policies. It is too small and insignificant and it has no policy options. Will it really deny NATO next time around if it does not receive the compensation it requested from it? Will the nature of its relationship with the EU change if the EU will not honour its promises and obligations? Macedonia is constrained to a very limited set of diplomatic and economic choices.

Instead of changing others - we must change ourselves. We must force Macedonians to change and let ourselves be convinced to change our policies. We must, in other words, introduce magic - the magic of trust. Trust in our banks will encourage domestic savings and domestic investments. It will draw out 1-2 billion dollars from under mattresses and into deposits. This amount is equal to 5 years of aid or FDI (foreign direct investment). Trust in our courts will attract foreign investments. Trust in our government will end the current civil disobedience. Our citizens are rebellious. They don't pay their taxes, they do not collaborate with their own government. They don't trust it to do the good and the right thing.

Macedonia is not perceived by the Europeans to be European. It is too poor to become a member of the EU, public relations exercises (the stability and Growth Pact) notwithstanding. It is too needy and donor weariness is setting in. Money will be harder and harder to come by. And our products compete head on with European products protected and promoted by the strongest lobbies in Brussels.

And with these FACTS we have to live. A sound, prosperous economy is the result of minute, mundane, routine and boring activities - not the result of rabbits pulled out of a hat. Even if the rabbits are European.

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## The Friendly Club

Cyprus, that beacon of political stability and financial rectitude, was invited to negotiate its membership. Bulgaria, the epitome of good governance and civil society as well as Malta the undisputed friend of the West (remember Qaddafi?) - were among the list of new candidates handed down in the Helsinki meet of the most desired economic club on earth: the EU. To these were added Romania and its collapsing economy. Macedonia was relegated to the "West Balkan" group - a revolutionary re-definition of historical affiliations. In this assemblage, it found itself rubbing shoulders with the disintegrating Albania and the pariah Yugoslavia. Croatia was ejected from this leper colony by virtue of the death of its megalomaniac autocrat and his replacement by ex-communists.

Things have been very different only a few months ago, when the EU and NATO needed the good and naive services of Macedonia. It was a honeyed courtship. Macedonia was then virtually besieged by a flood of world-class politicians, all eager to make the acquaintance of the charming political class of the Balkans. Promises were doled out with abandon. Blair promised tens of millions. Clinton topped this by pledging hundreds of millions. And the grateful West offered billions. In the meantime, Macedonia's infrastructure was pulverized by heavy armour and light-footed refugees - a quarter of a million of them.

The people of the Balkans are the off spring of broken promises. Their village shrewdness (which is not to be confused with worldly sophistication) predisposed them not to trust the kindness of strangers. Their in-bred paranoia led them to attribute prophetic foresight, sharp planning and intricate conspiracy to what were mere stumbling and bumbling on the part of the West and its mighty

NATO. The disillusionment came fast and painlessly. To live in fantasy is often more rewarding than to have it fulfilled and many Macedonians were grateful for the intermission in their hundred years of solitude. The hangover, the bitter aftertaste, the sore muscles of the morning after - the Macedonians accepted all these with unusual grace.

But as insults were added to injuries, a sense of betrayal evolved. They felt exploited and discarded, objectified and dehumanised by super-powers of mythical proportions. They felt abused and deceived. Used to getting the short end of every stick - this time there was no stick at all. Having been thus manipulated and largely unable to direct their anger at the veritable sources of their frustration - they turned upon themselves in internecine squabbling, disgraced and flouted. This was further exacerbated by incessant preaching and hectoring of the representatives of those powers, which thus forsake them. By the very people who reneged on promises. By countries and politicians whose own domestic politics and personal conduct were an object and abject lesson not to be emulated. Countries imbued with corruption preached to the Macedonians about good governance. Countries which suppressed their minorities in bloody campaigns reprimanded Macedonia for its treatment of its own minorities. Countries, which sold weapons to every despicable dictator in every corner of the earth - prevented Macedonia from trading with its neighbours.

Of the money promised - very little materialized. The blazing trail of West European and American movie stars and presidents became a trickle of East European politicians and Brussels bureaucrats. Membership became association, association became new association and new association went nowhere as dates were postponed and dates kept were used as photo-opportunities by synthetic Western leaders.

If anyone should have been invited to join the EU it is poor Macedonia. Poor - but not as poor as Romania, for instance. Any comparison of the two bespeaks volumes about the West's betrayal. Romania's official inflation is 40% - Macedonia's is around 1% and has been, on average, less than 3% in the last 3 years. Romania's

depleted GDP is collapsing. Macedonia has survived the Kosovo crisis with its GDP intact and is poised to grow by 4-6% in the year 2000 according to the IMF. Romania's average wage is less than 90 dollars a month - Macedonia's is 160 US dollars. The lei is as unstable as Yugoslavia's denar was prior to the Kosovo crisis - Macedonia's currency held stable throughout the external shock-ridden last three years and is trusted by its citizens. Romania's governments change frequently and with little reason, often succumbing to the wishes of an ominously violent street. Macedonia's government has changed once in the last 5 years and that following a fair and democratic election. Admittedly, Romania's market is much bigger than Macedonia's and its location closer to the EU. But Macedonia is an important bridgehead to the Balkans and beyond (Turkey) and its web of trading agreements and arrangements makes it a virtual market of more than 110 million people.

But Macedonia is friendless in the EU. It has no patron saint, no Germany (Croatia, Czech Republic), no France (Romania), no Greece (Cyprus). It is too small to fear and small enough to ignore comfortably. It is a peaceful and docile nation. It is co-operative. It is trustworthy and has proven its devotion to the idea of the West in times good and bad, mainly the latter. Perhaps these qualities disqualified it. Perhaps being taken for granted does not grant being taken. Whatever the explanation, the people of this tiny country grieve this short romance, so fleeting, so sweet, so dreamy and, as they are finding now, so surreal.

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## The Books of the Damned

*"I have gone into the outer darkness of scientific and philosophical transactions and proceedings, ultra-respectable, but covered with the dust of disregard. I have descended into journalism. I have come back with the quasi-souls of lost data."*

(Charles Hoy Fort in "The Book of the Damned")

*"Let me have the three major American networks and three leading newspapers for a year and I'll bring back public lynchings and racial war in the US."*

(Charles Simic quoting a Belgrade journalist)

*"We do not have censorship. What we have is a limitation on what newspapers can report."*

(Louis Nel, Deputy Minister of Information, South Africa)

In the country of ex-Nazi officer Kurt Waldheim and current Nazi-sympathizer Jorg Haider, the xenophobic and anti-Semitic offering of local media come as little surprise. Austria, after all, contributed disproportionately to the Nazi death machine. But what seems to be a unique Austrian phenomenon is not. The media outlets in Central, Eastern and Southern Europe are easily interchangeable. In the same week of Austrian derision and paranoia, "Start", a trash weekly in Macedonia attacked the British Ambassador and the Americans for conspiring to dismantle Macedonia with the collaboration of its local, disloyal and haughty Albanian minority.

The media in the countries in transition is taxonomically not dissimilar to its brethren in the West. It, too, can be divided to five categories of ownership and agenda. What sets it apart, though, is its lack of (even feigned) professionalism, its venality and its tainted

ulterior motives. I wrote about it elsewhere, in "The Rip van Winkle Institutions":

*"And then there is the media - the waste basket of post communist societies, the cesspool of influence peddling and calumny. Journalists are easily bought and sold and their price is ever decreasing. They work in mouthpieces of business interests masquerading as newspapers or electronic media. They receive their instructions - to lie, to falsify, to ignore, to emphasize, to suppress, to extort, to inform, to collaborate with the authorities - from their Editor in Chief. They trade news for advertising. Some of them are involved in all manner of criminal activities, others are simply unethical in the extreme. They all have pacts with Mammon. People do not believe a word these contortionists of language and torturers of meaning write or say. It is by comparing these tampered and biased sources that people reach their own conclusions within their private medium."*

The commercial media - the likes on "Nova" TV in the Czech Republic - are poor people's imitations of the more visible aspects of American mass culture. Overflowing with lowbrow talk shows, freaks on display, malicious gossip which passes for "news" and glitzy promos and quizzes - these TV stations and print magazines derive the bulk of their income from advertising. While ostensibly politically innocuous, they exert a subtle and cumulative influence on the numbed and dwindling minds of their spectators and readers. By conditioning their consumers to ever lower fare of pulp common denominators, they set a standard of no holds barred and no standards observed. They are the opium for the masses that religion once was, diverting potentially dangerous attention from real events and personalities to the staged alarms of public enemies and the artificial crises of bingo lotteries. No less persecutory than any totalitarian regime, these mass media are ominous symptoms of the social malaise of disillusionment with the realities of life and with more institutionalized modes of expression. They are escapism embodied, a dreamland, a scape of fantasy, the vale of telenovellas. Whole nations are in thrall. In Macedonia, the protagonist of a servant's saga, "Kassandra", was given a hero's welcome upon her

visit to this impoverished and bitter land. Whole families consume hours of this visual Ritalin, hypnotized by cheap scenery built to resemble unattainable riches.

Then there is the mercenary media. These are groups of hired pens and keyboards - so called journalists who offer their services to the highest bidder. Their price is often pathetic: a lunch a month, one hundred deutschmarks, a trip abroad and a dingy hotel room. They collaborate with their editors and share the spoils with them. They are the whores of the profession, ever the hungry look, ever the hat in hand, ever the submissive and furtive glances of the serfs of capital. They often publish other people's self-serving communiqués without altering a word. I, myself, provided them with "interviews" which I, solely, have authored, questions and all. Too lazy to or embittered to invest in their profession, consumed by self-loathing and by general disdain - they let themselves be passively abused in the dirty intercourse of money and of influence.

The mercenaries often work in brothels known as "business-backed media". These are TV stations, daily papers and periodicals owned by the oligarchs of malignant capitalism and used by them to rubbish their opponents and flagrantly and unabashedly further their business interests. This phenomenon is most pronounced in this land of depredation and depravity, in Russia, where virtually all the media is now identified with and digested by business, mafia-like interests. Despite their infamous one-sidedness, they still claim neutrality and objectivity but these spurious claims are met with revolt by a hostile population, long trained to distrust the printed word and even the broadcast image. Thus the art of "reading between the lines" is flourishing again and the very language is distorted by its media rapists (see: "The Magla Vocables"). This - the abyss opening between the people and their language, the demise of true communication and the ensuing rupture in the social fabric - are the veritable damages of enlisted journalism.

Political vehicles are less pernicious in that their masters are well known and their itinerary clear. Always one sided, always half truthed, forever the righteous - these rags produce no riches and they preach to the converted, serving as bulletins and message

boards rather than as media in any known sense. A rallying point, a flag, an emblem, a collective memory, the group's unconscious and conscience - these papers and TV channels are often widely read, even by rivals and adversaries. They are so self-absorbed, so narcissistic, so sickeningly partial that they make for fine amusement in dreary times. There are the coalition papers and the opposition papers, the left wing and the right wing and the centre ones. It is a colourful admixture of indignation and triumphalism, veiled threats and promises, trial balloons and drama, the daily equivalent of the romance.

Thus, Central, Eastern and Southern Europe do have daily papers and magazines and periodicals and television. What they do not have is media even remotely resembling the Western ideal. In some countries, this ideal is disparaged as a Western manipulative ploy or, worse, naive idealism. In others, it is a kind of holy grail to be pursued only in myths and narratives. Yet others view it with envy and aspire to it, but without much hope. To them, it is an ever-receding mirage. Perhaps that other phantasmagoria, the Internet, is the solution. In it, budding, fresh beginnings of irreverence and courage seem to coalesce into recognizable - though virtual - media. The small number of web surfers currently limits both their outreach and their survivability. But if Western trends are anything to go by, this is a temporary state of affairs. The Internet, this immaterial and ethereal medium might yet spawn the first real media and a return to reality. It might yet liberate the prisoners of all the telenovellas, foreign and domestic. It might yet win.

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## The PCM Trail

It is a typical bar in a typical Balkan or East European country in a typical yellow haze, air-polluted, very late evening. The din of raucous and numbingly repetitive music reverberates through the smoke-enshrouded joint. It is an external pandemonium intended to silence internal ones and to obviate the silences of solitude. Sofas with shabby, mutilated upholstery in bordello scarlet. A dim, bawdy luminescence. Huntresses and prey study each other wearily over oily drinks. The former scantily clad in cheap imitations of haute couture, lips enclosed in heart shaped, provocative, lipstick, their make up invitingly gross. The latter - foreigners, owners of coveted passports, cars and money (PCM), a ticket out of hell, a path to paradise, a promise.

In the near and paranoiac past of most countries in transition, terror-filled xenophobia was both a wise survival tactic and an indoctrinated instinct. Self-insulated and psychotically suspicious regimes quarantined their populations and portrayed all foreigners as carriers of the malaise of social disintegration and the perpetrators of espionage and sabotage. In a classic cognitive dissonance, foreigners were denounced by the people and women who befriended them were pronounced whores. Only a select few could interact with the capitalistic plague and these were especially trained to prevent contagion.

These prejudices and perceptions changed fast with the dawn of the post transition purgatory. Economic collapse, massive unemployment, social dislocation, growing disparities between rich and poor, the educated and the unskilled - led to societies increasingly permeated by crime, drugs and prostitution. A grey cloud of hopelessness and neglect descended upon vast territories

populated by zombie-like herds of people, eyes with extinguished light, adrift in the uncharted waters of a new, ominous reality. The physical deterioration of infrastructure and public services reflected the inner state of its ever more desparate consumers. Venality erupted like a giant suppuration. Everything was on sale, especially one's self.

In this increasingly whorish atmosphere, the perception of foreigners was dramatically re-cast. With more of them around and with most of them on generous income - they constituted a tempting target, a prize, salvation embodied. Women everywhere made it a point to meet them, to work with them, to associate with them, to know them biblically and - above all other goals - to marry them and leave their country. All means justified these ends. Women studied foreign languages, applied to work for non-government organizations, hung out in the appropriate watering holes, learned to dress and talk assertively and to make their availability - their complete obtainability and accessibility - beyond doubt.

Some set about securing the desired trophy methodically and scientifically, calculating each step in a tortuous and highly competitive environment. They invested years in graduating from the right faculties and in mastering the right languages. They watched films intently, read books, clipped magazine articles, surfed the internet, questioned well-travelled relatives and acquaintances, emulated more senior and more seasoned stalkers. Others relied on their good looks, their make up, their ruthlessness, their promiscuousness, their connections, or the exotic allure of their very differentness.

But all of them pursued their prey doggedly and committedly, with the quite perseverance and patience of the dejected, with the unflagging determination of the terminally ill in tracking a wonder drug. Often, they got pregnant, which in many local cultures would have brought on a marriage. Sometimes, they got raped, or dumped, or worse. But none of these dissuaded them - such was the ejecting power of the wretchedness of their lives. They knew that the foreigner they aspire to acquire will finally go away and carry them with him, a (sometimes white) knight on a shining vehicle.

Vehemently committed to securing the future of their children and the present of their extended family - they ploughed on, ignoring diversions, never digressing, never wavering in the face of setbacks and defeats.

Some of them grew old and bitter in their refusal to countenance a local, inferior, brand of husband. It time they so identified with their purported quarry - that they held their own kind in contempt. They disdained their kin, derided their customs, haughtily dismissed their own culture as backward and oppressive, worthy only of discarding. In their unmitigated effort to be worthy of their future saviours, they disowned their very selves, their society, their upbringing, their mores and their relations. Thus uprooted, they lost both worlds - rejected by those they rejected so condescendingly as well as by foreign men who found them to be embarrassing, clunky imitations of B-movie characters.

But others went on to marry foreigners, to give birth to their children and, in time, to travel to far, affluent lands. They keep in touch, sending home photographs of sumptuous houses and shiny cars and of suburban lawns. From time to time, they wire some money or deliver gifts. They visit once or twice a year, clad in new, faddish clothes, their accents strangely inflected, their speech suffused by foreign words. They made it, the envy of their sisters, the objects of much adulation and emulation, lean and lustrous proofs that dreams come true. A sigh and then the chase goes on. Meticulous dressing, hours of make up, the right shine but not too vulgar, the flesh exposed but not repulsively, both offered and withdrawn, a little exercise of English and to the bar. The hunting grounds where smoke and alcohol and the occasional lascivious look or comment should do the trick. And often do.

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in "Central Europe Review" volume 2, issue 8)*

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## The Mind of Darkness

"The Balkans" - I say - "is the unconscious of the world". People stop to digest this metaphor and then they nod enthusiastically. It is here that the repressed memories of history, its traumas and fears and images reside. It is here that the psychodynamics of humanity - the tectonic clash between Rome and Byzantium, West and East, Judeo-Christianity and Islam - is still easily discernible. We are seated at a New Year's dining table, loaded with a roasted pig and exotic salads. I, the Jew, only half foreign to this cradle of Slavonics, four Serbs and five Macedonians. It is in the Balkans that all ethnic distinctions fail and it is here that they prevail anachronistically and atavistically. Contradiction and change the only two fixtures of this tormented region.

The women of the Balkan - buried under provocative mask-like make up, retro hairstyles and too narrow dresses. The men clad in sepia colours, old-fashioned suits and turn of the century moustaches. In the background there is the crying game that is Balkanian music: liturgy and folk and elegy combined. The smells are heavy with musk-ular perfumes. It is like time travel. It is like revisiting one's childhood.

The Serbs - a family - are tall and ruggedly handsome. He was a soldier in the para-military Serb militias that sprang from the ashes of the JNA (Yugoslav National Army) in 1991. As the disintegration of the uneasy co-existence that once was Yugoslavia became more painfully evident, he and others seized the weapons in the depots of the JNA. In the administrative twilight zone that ensued they fought in JNA uniforms against a growing army of Croats (wearing initially the same uniforms) and Moslem Bosniaks. It was surrealistic, a Bosch nightmare. "We were near victory in Bihac" - he says, his voice a



wistful admixture of melancholy and anger. "Politics" - an old spark in his eyes and, for a moment, I can see the erstwhile fighter - "All politics. We lost the war because of politics, because our leaders sold themselves to the West." This myth has a familiar ring to it, the ring of knife-stabbed backs and war. It is the ground being prepared for the next round - the war was nearly won had it not been for the traitors and their Western masters. The sound of clicking heels and marches and creaking gates of concentration camps.

And so? "Milosevic should go" - he is adamant - "we paid enough." He leans back and lets fatigue take over. His wife interjects: "He drives a milk truck. He collects milk from the villages and delivers it to Nis. The company he works for makes 1000 DM daily - and his salary is 80 DM monthly. How can you survive on 80 DM? I don't work. So, one has to steal." "There is nowhere to steal from" - I say. A moment of comic relief, bringing identical sad smiles to their faces. "During the war (he means the Kosovo conflict), I drove the truck - it is a big truck, you see - and was bombed from behind by NATO planes. It was like that every day, for more than three months but I had to deliver the milk to town." Matter of factly, he lights a cigarette, his hand unshaken.

"All the politicians benefited from these wars, except Arkan (the infamous militia military commander - SV). His son joined us and fought with us as our commander..." - the sentence tapers off among blue clouds of cheap smoke. "And what did NATO achieve?" - his brother in law (who is married to a Macedonian and lives in Skopje) asks. "NATO went in for a year and is stuck for a decade in Bosnia." "And that is the way it is going to be in Kosovo." "They (the West - SV) don't know what they want and they don't know how to achieve it, they have no plans, they stumble, only making matters worse among us. They are ignorant and ill-prepared."

I sound incredulous: "Do you seriously think that there would have been no wars without NATO? After all, when Yugoslavia started falling apart, the West (with the exception of Germany) tried to preserve its unity. America was very unhappy and discouraged the independence of the constituent states." "Don't you believe it" - he is livid but not aggressive, there is more pain in his voice than threat -

"Croatia would have never embarked on its war against us had it not been for the West. I was there, I know. And we were winning the war there when suddenly Belgrade ordered us to stop. The commander in chief of the whole front came to us, tears in his eyes, and said: I didn't give this order, I want you to know. It comes from above, from Belgrade, not from me."

"But couldn't all this have been settled differently, without bloodshed?" - I wonder. "Of course it could, without the meddling of the West and its two puppets in the region (Milosevic and Tudjman - SV)." And then, somewhat incoherently - "They (the world - SV) should have let us fight it out. Winner takes all the territory, that's the only way to settle it. But Serbia has no friends anywhere in the world and we trust no one." "And Kosovo?" "Maybe that could not have been prevented" - he concedes - "because Milosevic regarded Kosovo as the cornerstone of his regime."

We talk about nothing else. The wounds are too fresh and too prominent to politely ignore. We enter the New Millennium with the blood dripping baggage of the old one. He fought three years in Bosnia, in Sarajevo, near Banja Luka. He is a war criminal, wanted by the international tribunal in The Hague. "Milosevic determined our ultimate borders in Dayton" - he spits the words bitterly, a look of bewilderment in his eyes - "Who gave him the mandate to represent us? Someone else should have gone there, like Karadzic, maybe..." "But Milosevic gave you weapons and food and supplies. Without him surely you could not have survived as long as you did?" "No weapons" - he protests - "Weapons we appropriated, we took them ourselves, from the JNA depots, he deserves no credit for that. Food, maybe... But this does not give him the right to determine our borders and our future without as much as consulting us. He sold us to the West. Now look at the situation. I can't go back to my home in a town that was 100% Serb and now is 100% Moslem and the Moslems can't go back to their towns who are now 100% Serb. And all towns - Serb and Moslem alike - are deserted ghost towns, where no one lives and nothing grows. Now I have to live in Serbia."

I don't ask him what he did to become wanted and hunted by the Hague tribunal. I can't imagine him murdering cold bloodedly or

raping. He has a good face, the wrinkles of many smiles and kindly eyes. When he laughs softly, they light up in black fire and his handshake is warm and firm. Instead I say: "And now it's Montenegro's turn should they declare independence?"

There is uneasy silence. The Serbs among us move in their chairs, glance warily at each other, as though co-ordinating an as yet unspoken answer. Finally: "There will be no war in Montenegro. The Serbs will not attack the Montenegrins - but there will be a civil war among the Montenegrins themselves, if they declare independence."

"Today" - says the ex militiaman - "they are all better off than the Serbs in Serbia. The Slovenes, the Croats. Look what we achieved in a decade of 'Great Serbia' - shortly, only Belgrade will remain in the Federation, even Sandjak and Vojvodina will leave." "The problem is that we have no leadership. There is no one to replace Milosevic. Avramovic is way too old. Dzindzic and Draskovic we cannot trust..." "Political whores" - says someone - "Once with Milosevic, once without..." "...and who else is there? All the young, capable people are out and away, far far away as they can get..."

Like in all the other countries of transition, they are adherents of the cult of youth. The belief that the old - old people, old culture, old institutions - have been so heavily corrupted that they must be discarded thoroughly and mercilessly. That all has to start over again. That only the young can cope with the timeless riddles that Balkanian sphinxes are in the habit of posing. That the young are the only bridge to the promised land of the zeitgeist of capitalism.

"And Macedonia?" - I ask.

"Macedonia" - a Serb chorus around the dinner table - "Every village wants to become a country. Macedonia cannot survive on its own, it is too dependent on Serbia, it is too tiny."

"But only 17% of its trade is with Serbia" - I correct them, as gently as I can. "Including Kosovo?" - says one in great astonishment - "I see only Macedonian trucks in Serbia, it cannot be..."

"It cannot be" - they all conclude - "Macedonia is nothing without Serbia."

As the clock strikes midnight, we kiss each other on wine flushed cheeks and shake hands solemnly. In the rest of the world, a new

millennium may have dawned. But in the Balkans it is perhaps the end of the beginning - but hardly the beginning of the end.

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# *After the Rain*

*How the West  
Lost the East*

The ECONOMY

## Central Europe

### The New Colonies

Mercantilism was the intellectual correlate of colonialism. The idea, roughly, was to physically conquer territories (colonies), subjugate their people, transform them into cheap labour, get hold of all the raw materials and ship them to the colonizer's territory, there to be processed to yield finished products. The beauty in the concept was the "closed circuit" logic. The inhabitants of the colonies (also known as "natives") had to consume finished goods and products. The colonial power forced upon them (through tariff and quota regimes or violence when needed) the finished products produced from their very own raw materials! Thus, the colonies were prevailed upon to sell cheap raw materials and to buy expensive finished goods.

If it sounds like colonialism and has the same economic effects - it is colonialism. The relationship between the European Union and Central Europe is colonialism. Central Europe provides the European Union with raw materials and cheap labour. It buys from the European Union finished goods, products and services. In the process, it incurs enormous trade and balance of payments deficits. Incidentally, it also serves as the EU's dumping grounds for anything from toxic waste to shoddy or outmoded products.

Let us examine the case of the Czech Republic. It is the assembly plant of Volkswagen and the export launching pad of other multinationals. And the workers are supposed to consume heavily subsidized agricultural produce (such as pork).

For this the Czech Republic is to blame. The previous government did everything it could to alienate its natural allies in the Vysehrad Triangle. It did a good job of it. Instead of negotiating with the EU as

a bloc of c. 70 million consumers - it ended up representing an ever-diminishing number of Czecho-Slovaks. Its haughty and corruption-laden behaviour did not acquire too many friends in the West, either.

The approach should have been different. In the West, the client is always right. The Czechs are CONSUMERS. They are the clients of the huge corporation called EU. As a consumer club or group, they could have dictated terms, rather than be subjected to them. The current Hungarian government understands this. Consumers have a single, irresistible power: they can stop consuming. Imagine if 30-40 billion USD were to be deleted from the EU's books by angry consumers - it would have come begging and negotiating, instead of dictating and condescending. The EU does not hesitate to pull every lever - however illegitimate, ridiculous, or downright dangerous - in its negotiations with the new applicants. The new applicants did not assimilate yet their dual role as applicants (an inferior position) and as markets (a very superior position).

This inferiority complex has to do with history. The Hussite Wars were perhaps glorious - but they were also irrevocably destructive. Not only were the Czech Lands physically demolished - they were also cut from the rest of Europe for centuries to come. The only times they were reincorporated into it were traumatic (the Nazi occupation, for instance). Having glimpsed the first real opportunity to become a part of the big west dream (and to be redeemed from the clutches of the wounded Russian bear to the East) - the Czechs lost all judgement, self-esteem, self-confidence and negotiating skills. So did all the other Central and Eastern (and Southern) European nations. It was security and safety they were after - not prosperity.

This basic misunderstanding underlies the great European project. The EU's thinking was mainly economic and marginally geopolitical (though it was presented differently). The Czech's motivation was mainly geopolitical and marginally economic (though it was presented differently). The resulting malentendues are worthy of Moliere's pen.

Moreover, the Czechs have always been a religious breed. True, they are the most vehement atheists in Europe - but this is because they adopted other deities. They have always been zealous, intellectual fanatics. One of my Czech friends calls many periods in his nation's history "intellectual terrorism". The swings some people made lately from being youthful communists to being vengeful ultra-capitalists are indeed breathtaking. Personality cults are supplanted only by fanatic ideologies, which are replaced only by religious zeal. This, of course, does not tend to enhance the realpolitik instincts of the nation. Czechs have always been a few years too early. They had their own reformation long before Luther. They had the Spring of 68 long before Gorbachev. Every such intellectual transition was followed by a Jacobin disposal and by purges of whole classes and elites. These "new religion-personality cult-purges" cycles were not absent from the Velvet Revolution.

Simply, the EU got frightened. Excessive zeal can give anyone - let alone the Brussels amphibian bureaucrats - cold feet. Dates are being pushed back. Commitments hushed or rehashed. Now the Czechs "enjoy" the worst of both worlds: they are being treated as a colony and their date of entry is ceaselessly postponed.

This should and could have been different. The Czechs should not have shown any enthusiasm or anxiety. These are bad negotiating tactics. They should have negotiated with the EU as consumers (markets) do with producers elsewhere in the world. They should have extracted at least a commitment regarding the date of accession and detailed timetables. And they should have kept these timetables.

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## New Paradigms, Old Cycles

New paradigms die hard. It took a looming global recession to convince wild-eyed optimists that old cycles are more reliable guides than new paradigms.

Business cycles - from the smallest to the biggest - go through seven phases. Centuries of cumulative economic experience allow us to identify these stages more accurately than ever before.

An economic cycle invariably starts with inflation. The previous cycle having ended - and the new one just began - the economic environment is as uncertain as can be. The fundamental component is the scarcity of goods and services (following recession or deflation) and the maladapted money supply. Too much money chases fewer commodities. The general price level rises. But this constant, ubiquitous, all pervasive rise (known as "inflation") is also the result of mass psychology. Households and firms compensate for the growing uncertainty (=growing risk) by raising prices. They have no idea what should be the appropriate or optimal equilibrium price level be. Market signals are garbled by psychological noise. Everyone is trying to stay ahead of perceived economic threats and instabilities by raising the risk premiums that they demand from their clients. Consumers, on the other hand, are willing to pay more today because they are convinced that the price trend is unidirectional and irreversible: up. The psychological underpinnings and bearings of inflation have been studied deeply in the last few decades. It is the source of the uncertainty that remained obscure. My hypothesis is that the end of every economic cycle fosters this panicky uncertainty, which is monetarily reflected as inflation. In more technical terms, inflation is a market pathology, a market failure.

Inflation disguises bad economic performance of firms and of the economy as a whole. "Paper" profits make up for operational losses. The incentives to innovate, modernize, and enhance productivity suffer. Economic yardsticks and benchmarks get distorted and do not allow for meaningful analysis of the performance of the economy. Inflation leads to technological and economic stagnation. Plants do not modernize, the financial aspects of the firm's operations are emphasized, the industrial and operational aspects de-emphasized and neglected. Economies are seized by the pathological economic condition known as "stagflation" - zero or negative growth, coupled with inflation. A sense of urgency and crisis sets in and clears the path towards the next, second phase.

In an effort to overcome the pernicious effects of inflation, governments liberalize, deregulate and open their economies to competition. Firms innovate and streamline. Efficiency, productivity and competitiveness are the buzzwords of this phase. As trade barriers fall, cross border capital flows (=investment) increase, productivity gains and new products are introduced - the upward price spiral is halted and contained. The same money buys better products (more reliable, more functions, more powerful). The same wages generate more products. This is technological deflation. It is beneficial to the economy in that it frees economic resources and encourages their efficient allocation. Real incomes rise and generate increased demand and production.

Inevitably, technical deflation leads to a restraint in the general price level. Increased consumption (both public and private) coupled with moderate asset price inflation prevents an outright monetary deflation (=a downward spiral in the general price level). Inflation is kept to sustainable levels. This phase is known as "disinflation". It is a transitory phase. The transition from hyperinflation or high inflation to a supportable level of inflation is a matter of one or two decades. This period is bound to be shortened by the revolutions in information, communications and transportation technologies. In fact, the whole cycle is hastened due to the more rapid dissemination of information. It is the availability and accessibility of information, which determines the values of important parameters

such as the equilibrium general price level and other parameters of expectations (such as equity prices). The more information is available more readily - the more efficient the markets and the shorter the cycles. This enhances the false perception of instability inherent in modern markets. But speed does not necessarily imply a lack of stability. On the contrary, the faster and more violent the adjustments in the market mechanism - the more efficient it is.

The psychological well-being and assurance brought on by disinflation generate demand for assets, especially yielding assets (such as real estate or financial assets). The more certain the future value of streams of income, the more open the economic environment, the shorter the economic cycle, the more frequent and rapid the economic interactions - the more valuable assets become. Assets are mainly stores of expectations regarding future values. An assets bubble is created when the current value (=price) of money is low and the future value of money is certain and likely to grow through stable or decreasing prices. Stock exchanges, real estate, and financial transactions - all balloon out of proportion in a kind of irrational exuberance.

All bubbles burst in the end - and so do these assets bubbles. This is the fifth phase. It is crucial because it signifies the termination of the bull part of the cycle. The prices of assets collapse precipitously. There are no buyers - only sellers. Firms find it impossible to raise money because their obligations (commercial paper and bonds) are rendered valueless. A credit crunch ensues. Investment halts.

The collapse of assets bubbles generates asset price deflation. The psychological counterpart of this deflation is the disappearance of the "wealth effect" and its replacement by a "thrift effect". This influences consumption, inventories, sales, employment and other important angles of the real economy. If not countered by monetary and fiscal means - a lowering of interest rates, a fiscal Keynesian stimulus, an increase in money supply targets - a monetary deflation might set in. Admittedly, a full-fledged deflation is rare. More frequent are a recession, a slump, a credit crunch, a slowdown, a growth recession and other less exotic variants. It is also possible to have differentiated or discriminatory deflation. This is a deflation in

certain sectors of the economy or in certain territories of the globe - but not in others. In any case, a monetary deflation is a monstrous, venomous economic beast. Due to reversed expectations (that prices will continue to go down), people postpone their consumption and spending. Real interest rates skyrocket because in an environment of negative inflation, even a zero interest rate is high in real terms. Investment and production slump - inventories shoot up, further depressing prices. The decline in output is accompanied by widespread bankruptcies and by a steep increase in unemployment. The real value of debt increases. Coupled with declining prices of assets, it leads to bank failures as a result of debts gone sour. It is a self-perpetuating state of affairs and it calls for the implementation of the seventh and last phase of the cycle.

This is the phase of reflation. The market failure, at this stage, is so pervasive that all the self-balancing and allocation mechanisms are rendered dysfunctional. State intervention is needed in order to restart the economy. An injection of money through a fiscal stimulus, a monetary expansion, a lowering of interest rates, firm support of the financial system, tax and other incentives to consume and to import. Unfortunately, all these goals are best achieved by engaging in warfare. It is often the case: a convenient war reflates the economy, re-ignites the economic engine, generates employment, and increases consumption, innovation and modernization. But with or without war - people sense the demise of an old cycle and the imminent birth of a new one, fraught with uncertainty and ignorance. They rush to buy things. Because the economy is just recovering from deflation - there aren't usually many things to buy. A lot of money chasing few goods - this is a recipe for inflation. Back to phase one.

But the various phases of the cycle are not only affected by psychology - they affect it. During periods of inflation people are willing to take on risk. The risk of inflation is clear to them and the only compensation is through higher yields (returns, profits) on financial instruments. Yet, higher returns inevitably and invariably imply higher risks. Thus, people are forced to offset or mitigate one type of risk (inflation) with another (credit or investment risk).

Paradoxically, an inflationary period is a period of certainty. Inflation is certain. People tend to develop an ideological type of economics. Based on the underlying and undeniable certainty of ever-worsening conditions, the intellectual elite and decision-makers resort to peremptory, radical, rigid and sometimes coercive solutions backed by an ideology disguised as "scientific knowledge". Communism is a prime example, of course - but so is the "Free Marketry" variant of capitalism, as practised by the IMF and by central bankers.

Deflation, on the other hand, is usually a much shorter period. People do not expect it to last. They fully expect it to be followed by inflation - they just do not know when. Thus, its nature is more transitory. Assured of low prices and preoccupied with economic survival - people become strongly risk averse. While in times of inflation people are seeking to protect the value of their money - in times of deflation people are in pursuit of sheer livelihood. A dangerous "stability" sets in. People invest in land, cash and, the more daring, in bonds. Banks do the same. In such times, ideologies are the first victims. They are replaced by philosophies and worldviews. People become much more pragmatic. They look to the possible rather than to the ideal. Communism is replaced by Socialism, Capitalism replaces Free Marketry. Perhaps this is the only good outcome of deflation.

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## Lessons in Transition

**Question:** What have been the most successful approaches to attracting direct foreign investments: offering prospective investors tax breaks and similar benefits, or improving the overall investment climate of the country?

**Answer:** Empirical research has demonstrated that investors are not lured by tax breaks and monetary or fiscal investment incentives. They will take advantage of existing schemes (and ask for more, pitting one country against another). But these will never be the determining factors in their decision-making. They are much more likely to be swayed by the level of protection of property rights, degree of corruption, transparency, state of the physical infrastructure, education and knowledge of foreign languages and "mission critical skills", geographical position and proximity to markets and culture and mentality.

**Question:** What have been successful techniques for countries to improve their previously negative investment image?

**Answer:** The politicians of the country need to be seen to be transparently, non-corruptly encouraging business, liberalizing and protecting the property rights of investors. One real, transparent (for instance through international tender) privatisation; one case where the government supported a foreigner against a local; one politician severely punished for corruption and nepotism; one fearless news medium - change a country's image.

**Question:** Should there be restrictions on repatriation of foreign investment capital (such restrictions could prevent an investment

panic, but at the same time they negatively affect investor's confidence)?

**Answer:** Short term and long term capital flows are two disparate phenomena with very little in common. The former is speculative and technical in nature and has very little to do with fundamental realities. The latter is investment oriented and committed to the increasing of the welfare and wealth of its new domicile. It is, therefore, wrong to talk about "global capital flows". There are investments (including even long term portfolio investments and venture capital) - and there is speculative, "hot" money. While "hot money" is very useful as a lubricant on the wheels of liquid capital markets in rich countries - it can be destructive in less liquid, immature economies or in economies in transition. The two phenomena should be accorded a different treatment. While long-term capital flows should be completely liberalized, encouraged and welcomed - the short term, "hot money" type should be controlled and even discouraged. The introduction of fiscally oriented capital controls (as Chile has implemented) is one possibility. The less attractive Malaysian model springs to mind. It is less attractive because it penalizes both the short term and the long-term financial players. But it is clear that an important and integral part of the new International Financial Architecture MUST be the control of speculative money in pursuit of ever-higher yields. There is nothing inherently wrong with high yields - but the capital markets provide yields connected to economic depression and to price collapses through the mechanism of short selling and through the usage of certain derivatives. This aspect of things must be neutered or at least countered.

**Question:** What approach has been most useful in best serving the needs of small businesses: through private business support firms, business associations, or by government agencies?

**Answer:** It depends where. In Israel (until the beginning of the 90s), South Korea and Japan (until 1997) - the state provided the necessary direction and support. In the USA - the private sector

invented its own enormously successful support structures (such as venture capital funds). The right approach depends on the characteristics of the country in question: how entrepreneurial are its citizens, how accessible are credits and microcredits to SMEs, how benign are the bankruptcy laws (which always reflect a social ethos), how good is its physical infrastructure, how educated are its citizens and so on.

**Question:** How might collective action problems among numerous and dispersed small and medium entrepreneurs best be dealt with?

**Answer:** It is a strange question to ask in the age of cross-Atlantic transportation, telecommunication and computer networks (such as the Internet). Geographical dispersion is absolutely irrelevant. The problem is in the diverging self-interests of the various players. The more numerous they are, the more niche-orientated, the smaller - the lesser the common denominator. A proof of this fragmentation is the declining power of cartels - trade unions, on the one hand and business trusts, monopolies and cartels, on the other hand. The question is not whether this can be overcome but whether it SHOULD be overcome. Such diversity of interests is the lifeblood of the modern market economy, which is based on conflicts and disagreements as much as it is based on the ability to ultimately compromise and reach a consensus. What needs to be done centrally is public relations and education. People, politicians, big corporations need to be taught the value and advantages of small business, of entrepreneurship and intrapreneurship. And new ways to support this sector need to be constantly devised.

**Question:** How might access of small business to start-up capital and other resources best be facilitated?

**Answer:** The traditional banks all over the world failed at maintaining the balancing act between risk and reward. The result was a mega shift to the capital markets. Stock exchanges for trading the shares of small and technology companies sprang all over the world (NASDAQ in the USA, the former USM in London, the Neuemarkt in Germany and so on). Investment and venture capital



funds became the second most important source quantitatively. They not only funded budding entrepreneurs but also coached them and saw them through the excruciating and dangerous research and development phases. But these are rich world solutions. An important development is the invention of "third world solutions" such as microcredits granted to the agrarian or textile sectors, mainly to women and which involve the whole community.

**Question:** Women start one-third of new businesses in the region: now can this contribution to economic growth be further stimulated?

**Answer:** By providing them with the conditions to work and exercise their entrepreneurial skills. By establishing day care centres for their children. By providing microcredits (women have proven to be inordinately reliable borrowers). By giving them tax credits. By allowing or encouraging flexitime or part time work or work from home. By recognizing the home as the domicile of business (especially through the appropriate tax laws). By equalizing their legal rights and their pay. By protecting them from sexual or gender harassment.

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## Lucky Russia

As early as August 17<sup>th</sup>, a few minutes following the devaluation, the financial markets predicted that the Rouble would stabilize around 18-20 Roubles to the US dollar. This was the price quoted for CME forward Rouble contracts. Moreover, not everyone think that hyperinflation is imminent. Simply, there is not enough purchasing power to generate this kind of surge in prices.

Russia is lucky. I am not being cute: this crisis could not have come at a more opportune time. Russians have witnessed (if not actively enjoyed) the advantages of a consumer capitalist economy. For one thing, most of them have some kind of private property and the abundance of all types of products together with the elimination of queues and shortages served to provide a foretaste of the "capitalist heaven". They are not likely to go back, politically or economically. That capitalism is not well entrenched is a blessing in no disguise: this crisis does not deprive people sufficiently to foster a revolution. Social unrest, a dramatic rise in crime rates, more crony capitalism and other malignant forms of "get rich quick" schemes - perhaps. But not another revolution.

Russia and Russians are prone to dramatic extremes. Russia is simply going through a crisis which will ultimately engulf all of Eastern, Central and Southern Europe and, more generally, all the protective, etatist economies. From Macedonia to the Czech Republic, from Kazakhstan to China, from Slovenia to Bulgaria - all are likely to experience a similar shock. This is because none has really reformed. Under the banner of "capitalism" a small, corrupt elite of oligarchs and politicians robbed the assets of the state. Industry is still protected against outside competition, tax collection is a farce, the banking system a shambles, Western handouts the

only pillar of the economy. This cannot and will not go on. The invisible hand of the market will devalue overvalued currencies, force industry to restructure, force the banking system to amalgamate, force inept and corrupt politicians out. The Day of Judgement is here. Russia is lucky to go through all this now - because it will be uniquely positioned, as a result.

The Russian banking system will be forced to restructure. Hundreds of banks will go insolvent and bankrupt. The rest will consolidate. But this will only result in the formation of a few "bad banks". The next stages will involve the formation of healthy retail activities, where none exist today. Banks will begin to compete for savings. They will diversify their portfolio and, as a result, their exposure (risk) will diminish. Then they will have to invest this money to generate the kind of returns that will attract the savers. They will not risk another asset bubble. They will not invest in brokerage operations, speculate, or bet against the Rouble anymore. Their future profits will be the result of investments in real assets: industry, the services sector, new and small businesses. These are very good news: the banks have been taught a lesson they will not easily forget. It is: paper profits and paper assets are on paper only. Here today, gone tomorrow.

A devalued Rouble will enhance the competitiveness of the Russian industrial and commodity production sectors. Rouble inflation will not fully reflect the devaluation for a long time. This difference will allow Russian manufacturers and commodity producers to compete vigorously.

Russia was long subjected to the quack "medical experiments" of the IMF. It was led down the path of deflation, which the IMF has plunged half the world into. It needed to reflate urgently. It could not have "chosen" a better way to do so. The devaluation will reflate the economy. It is equivalent to the infusion of new blood to a body dilapidated by endless austerity and economic bloodletting.

It might sound outlandish - but Russia is showing the way to other countries in the Third World as it has so often done in the past. It, in effect, has acted against the IMF dictates and by devaluing its

currency it has readopted the path of John Maynard Keynes. It was about time.

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## Russian Roulette

The more involved the IMF gets in the Russian economy - the more controversy surrounds it. True, economies in transition, emerging economies, developing countries and, lately, even Asian Tigers all feel the brunt of the IMF recipes. All are loudly complaining. Some economists regard this as a sign of the proper functioning of the IMF - others spot some justice in some of the complaints. The IMF is supposed to promote international monetary cooperation, establish a multilateral system of payments, assist countries with Balance of Payments (BOP) difficulties under adequate safeguards, lessen the duration and the degree of disequilibrium in the international BOPS of member countries and promote exchange rate stability, the signing of orderly exchange agreements and the avoidance of competitive exchange depreciation.

It tries to juggle all these goals in the thinning air of the global capital markets. There is little dispute that the IMF is indispensable. Without it, the world monetary system would have contracted more readily and many countries would be worse off. It imposes monetary and fiscal discipline, forces governments to plan, and introduces painful adjustments and reforms. It serves as a convenient scapegoat: the politicians can blame it for the economic woes that their voters endure. Lately, it began to lend credibility to countries and to manage crisis situations. But, this scapegoat role allows politicians in Russia to hide behind the IMF leaf and blame the results of their incompetence and corruption on it. Where a reformed market economy could have provided a swifter and more resolute adjustment - the diversion of scarce human and financial resources to negotiating with the IMF seems to have prolonged the agony. The abrogation of responsibility by decision makers poses a

moral hazard: if successful - the credit goes to the politicians, if not - the IMF is always to blame. Negative feelings, which would have normally brought about a real, transparent, corruption-free, efficient market economy are vented and deflected.

The IMF money in Russia encourages corrupt and inefficient spending because it cannot really be controlled and monitored. The rule is: the more resources the Federal and regional governments have - the more will be lost to corruption and inefficiency. The IMF cannot rationalize spending in Russia because its control mechanisms are flawed: they rely too heavily on local, official input and they are remote (from Washington). They are also underfunded.

Despite these shortcomings, the IMF assumed - and not only in the case of Russia - two roles which were not historically allocated to it. It became a country credit risk-rating agency. The absence of an IMF seal of approval could - and usually does - mean financial suffocation. Russia experienced it last month. No banks or donor countries extend credit to a country lacking the IMF's endorsement. On the other hand, as authority (to rate) shifted - so did responsibility. The IMF became a super-guarantor of the debts of both the public and private sectors. This encourages irresponsible lending and investments ("why worry, the IMF will bail me out in case of default"). This is the "Moral Hazard": the safety net is fast being transformed into a licence to gamble. The profits accrue to the gambler - the losses to the IMF. This does not encourage prudence or discipline. There is no better example than the bloated and wrongly priced Russian market for short-term government obligations, the GKO's.

The IMF is too restricted in both its ability to operate and in its ability to conceptualise and to innovate. It, therefore, resorts to prescribing the same medicine of austerity to all the sovereign patients, which are suffering from a myriad of economic diseases. And it is doing so with utter disregard and ignorance of the local social, cultural (even economic) realities. Add to this the fact that the IMF's ability to influence the financial markets in an age of globalisation is dubious (the daily turnover in the foreign exchange markets alone is 6 times the total resources of the IMF). The result is

fiascos like South Korea and Indonesia where 40-60 billion USD aid packages was consumed by sick economies in days to no avail. More and more, the IMF looks anachronistic and its goals untenable. The IMF also displays the whole gamut of problems which plague every bureaucratic institution: discrimination (why help Mexico, which shares a border with the USA and not Bulgaria, which doesn't?), politicisation (South Korean and Indonesian officials complained that the IMF officials tried to surreptitiously introduce trade concessions to the USA into an otherwise financial package of measures) and too much red tape.

The problem is that the IMF forces governments to restrict flows of capital and goods, and to reduce budget and balance of payments deficits. Consequently, governments find themselves caught between non-compliance with the IMF performance criteria - and addiction to its assistance. The crusader-economist Michel Chossudowski wrote once that the IMF's adjustment policies "trigger the destruction of whole economies". This looks a trifle overblown. But the process that he describes is, to some extent, true and fully applicable to Russia.

The inevitable devaluation of the Rouble (supposed to encourage exports and stabilize the currency) will lead to increased inflation. The higher prices will burden businesses and increase their default rates. The banks will increase their interest rates to compensate for higher risks and for inflation. Wages in Russia are never fully indexed or paid timely so the purchasing power of households will be further eroded. Despite recent posturing, tax revenues will fall as a result of a decrease in wages and the collapse of many businesses. Thus, the budget will be either cruelly cut or the budget deficit will increase. The options of raising taxes or improving the collection methods are fantastic in the chaotic environment euphemistically known as the Russian Economy. The Rising costs of manufacturing (fuel and freight are denominated in foreign currencies and so do many of the tradable inputs) will lead to the pricing out of the local markets of many local firms. A flood of cheaper imports will ensue. The comparative advantages of Russia will disappear as it slides into ever growing trade deficits. Finally, The Russians believe, Western creditors will take over the national economic policy. Communism

will be replaced by IMF-ism. No country is independent if the strings of its purse are held by others. Russians, too nationalistic to acquiesce, will rebel. The price will be partly paid by the likes of the Prague Stock Exchange.

*(Article published October 2, 1998 in "The New Presence")*

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## Foreigners do not Like Russia

### Russia's New Economy

With no Russian in sight, foreigners like to belittle and mock Russia. "It is a criminal gangland" (an American term which better fits Italy), "corrupt" (Belgium is more corrupt), "bureaucratic" (try Germany). They point to its 160 billion USD in foreign debt. But this is one of the lowest rates in the world (c. 40% of GDP). The USA owes almost twice as much per its GDP.

Foreigners do not like Russia. Russia should stop relying on them so heavily. Not because of nationalistic reasons. Because of realistic ones. It is not realistic to expect foreign institutions and lenders (such as the IMF) to provide Russia with another 45 billion roubles. It was the IMF that de-monetised the Russian economy. Its outlandish demands to limit the money supply reduced the amount of roubles in circulation to a dangerous, life-threatening, level (15% of GDP). The result was an unprecedented barter economy (more than 75% of all transactions) and a collapse of the popular trust in the rouble.

There has never been a post-communist "Russian Economy". There was a "Moscow Economy" and a "Rest of Russia Economy". The first was a bubble of consumption, novelty seeking, vanity and financial assets. The "crisis" in August was merely the bursting of the MUSCOVITE bubble. How come I consider this to be good for Russia?

First, it will weed out the weak economic players. Shady companies, the manufacturers of shoddy goods, financial leeches and parasites - all will vanish together with easy, corrupt and criminal money. Foreign firms, which came over to ride the wave of unbridled consumerism and to make a quick buck, will go home. The export revenues of oligarchs and robber barons will revert back to the

nation. In time, their inefficient and corrupt fiefdoms and monopolies will crumble. They may even begin to pay taxes.

Multinationals committed to the still promising Russian market will not go away. They will invest more and provide even more credits to local suppliers and partners. They will hire good staff, reduce costs and finally acknowledge the existence of life (and markets) outside Moscow. The crisis in Moscow is blessing for the rest of Russia, as has often been the case in history.

This is also the chance of domestic industry and services. With unemployment up, wage costs are down by half. So are rent and security costs and other overhead. Many good people are available today at a reasonable price. Companies have rationalized, cut the fat, sacked unneeded people, become lean and mean. They are fast becoming competitive in their own markets and, later on, perhaps, in export markets.

Additionally, imports are down by 45%. Domestic firms face much less competition, on the one hand, and less choosy clients, on the other hand. This is their chance to capture market share. Russian businesses are used to operating without a banking system, or in hyperinflation. Foreigners are not. Shops will prefer to stock cheaper domestically produced goods. Both product quality and the attention to the consumer's needs and demands need to improve. But the prize is enormous: control of the Russian market.

But is there a Russian market? This is the only cloud in the silver lining. Russia is being regionalized, broken down. The movement of both people and goods is gradually restricted. The fragmentation of a hitherto unified market is detrimental. This is the real risk facing Russia. Whatever the POLITICAL arrangements - the economy must remain united. The various oblasts, mini-states and fiefdoms are simply not economically viable on their own.

*(Article published November 23, 1998 in "The New Presence")*

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## IMF - Kill or Cure

This was the title of the cover page of the prestigious magazine, "The Economist" in its issue of 10/1/98. The more involved the IMF gets in the world economy - the more controversy surrounds it. Economies in transition, emerging economies, developing countries and, lately, even Asian Tigers all feel the brunt of the IMF recipes. All are not too happy with it, all are loudly complaining. Some economists regard this as a sign of the proper functioning of the International Monetary Fund (IMF) - others spot some justice in some of the complaints.

The IMF was established in 1944 as part of the Bretton Woods agreement. Originally, it was conceived as the monetary arm of the UN, an agency. It encompassed 29 countries but excluded the losers in World War II, Germany and Japan. The exclusion of the losers in the Cold war from the WTO is reminiscent of what happened then: in both cases, the USA called the shots and dictated the composition of the membership of international organization in accordance with its predilections.

Today, the IMF numbers 182 member-countries and boasts "equity" (own financial means) of 200 billion USD (measured by Special Drawing Rights, SDR, pegged at 1.35 USD each). It employs 2600 workers from 110 countries. It is truly international.

The IMF has a few statutory purposes. They are splashed across its Statute and its official publications. The criticism relates to the implementation - not to the noble goals. It also relates to turf occupied by the IMF without any mandate to do so.

The IMF is supposed to:

- A. Promote international monetary cooperation;

- B. Expand international trade (a role which reverted now to the WTO);
- C. Establish a multilateral system of payments;
- D. Assist countries with Balance of Payments (BOP) difficulties under adequate safeguards;
- E. Lessen the duration and the degree of disequilibrium in the international BOPS of member countries;
- F. Promote exchange rate stability, the signing of orderly exchange agreements and the avoidance of competitive exchange depreciation.

The IMF tries to juggle all these goals in the thinning air of the global capital markets. It does so through three types of activities:

### ***Surveillance***

The IMF regularly monitors exchange rate policies, the general economic situation and other economic policies. It does so through the (to some countries, ominous) mechanism of "consultation" (with the countries' monetary and fiscal authorities). The famed (and dreaded) World Economic Outlook (WEO) report amalgamates the individual country results into a coherent picture of multilateral surveillance.

Sometimes, countries, which have no on-going interaction with the IMF and do not use its assistance do ask it to intervene, at least by way of grading and evaluating their economies. The last decade saw the transformation of the IMF into an unofficial (and, incidentally, non-mandated) country credit rating agency. Its stamp of approval can mean the difference between the availability of credits to a given country - or its absence. At best, a bad review by the IMF imposes financial penalties on the delinquent country in the form of higher interest rates and charges payable on its international borrowings.

The Precautionary Agreement is one such rating device. It serves to boost international confidence in an economy. Another contraption is the Monitoring Agreement, which sets economic benchmarks (some say, hurdles) under a shadow economic program

designed by the IMF. Attaining these benchmarks confers reliability upon the economic policies of the country monitored.

### ***Financial Assistance***

Where surveillance ends, financial assistance begins. It is extended to members with BOP difficulties to support adjustment and reform policies and economic agendas. Through 31/7/97, for instance, the IMF extended 23 billion USD of such help to more than 50 countries and the outstanding credit portfolio stood at 60 billion USD. The surprising thing is that 90% of these amounts were borrowed by relatively well-off countries in the West, contrary to the image of the IMF as a lender of last resort to shabby countries in despair.

Hidden behind a jungle of acronyms, an unprecedented system of international finance evolves relentlessly. They will be reviewed in detail later.

### ***Technical Assistance***

The last type of activity of the IMF is Technical Assistance, mainly in the design and implementation of fiscal and monetary policy and in building the institutions to see them through successfully (e.g., Central Banks). The IMF also teaches the uninitiated how to handle and account for transactions that they are doing with the IMF. Another branch of this activity is the collection of statistical data - where the IMF is forced to rely on mostly inadequate and antiquated systems of data collection and analysis. Lately, the IMF stepped up its activities in the training of government and non-government (NGO) officials. This is in line with the new credo of the World Bank: without the right, functioning, less corrupt institutions - no policy will succeed, no matter how right.

From the narrow point of view of its financial mechanisms (as distinct from its policies) - the IMF is an intriguing and hitherto successful example of international collaboration and crisis prevention or amelioration (=crisis management). The principle is deceptively simple: member countries purchase the currencies of other member countries (USA, Germany, the UK, etc.). Alternatively, they draw SDRs and convert them to the aforementioned "hard"

currencies. They pay for all this with their own, local and humble currencies. The catch is that they have to buy their own currencies back from the IMF after a prescribed period of time. As with every bank, they also have to pay charges and commissions related to the withdrawal.

A country can draw up to its "Reserve Tranche Position". This is the unused part of its quota (every country has a quota which is based on its participation in the equity of the IMF and on its needs). The quota is supposed to be used only in extreme BOP distress. Credits that the country received from the IMF are not deducted from its quota (because, ostensibly, they will be paid back by it to the IMF). But the IMF holds the local currency of the country (given to it in exchange for hard currency or SDRs). These holdings are deducted from the quota because they are not credit to be repaid but the result of an exchange transaction.

A country can draw no more than 25% of its quota in the first tranche of a loan that it receives from the IMF. The first tranche is available to any country, which demonstrates efforts to overcome its BOP problems. The language of this requirement is so vague that it renders virtually all the members eligible to receive the first instalment.

Other tranches are more difficult to obtain (as Russia and Zimbabwe can testify): the country must show successful compliance with agreed economic plans and meet performance criteria regarding its budget deficit and monetary gauges (for instance credit ceilings in the economy as a whole). The tranches that follow the first one are also phased. All this (welcome and indispensable) disciplining is waived in case of Emergency Assistance - BOP needs which arise due to natural disasters or as the result of an armed conflict. In such cases, the country can immediately draw up to 25% of its quota subject only to "cooperation" with the IMF - but not subject to meeting performance criteria. The IMF also does not shy away from helping countries meet their debt service obligations. Countries can draw money to retire and reduce burdening old debts or merely to service it.

It is not easy to find a path in the jungle of acronyms, which sprouted in the wake of the formation of the IMF. It imposes tough guidelines on those unfortunate enough to require its help: a drastic reduction in inflation, cutting back imports and enhancing exports. The IMF is funded by the rich industrialized countries: the USA alone contributes close to 18% to its resources annually. Following the 1994-5 crisis in Mexico (in which the IMF a crucial healing role) - the USA led a round of increases in the contributions of the well-to-do members (G7) to its coffers. This became known as the Halifax-I round. Halifax-II looks all but inevitable, following the costly turmoil in Southeast Asia. The latter dilapidated the IMF's resources more than all the previous crises combined.

At first, the Stand By Arrangement (SBA) was set up. It still operates as a short-term BOP assistance financing facility designed to offset temporary or cyclical BOP deficits. It is typically available for periods of between 12 to 18 months and released gradually, on a quarterly basis to the recipient member. Its availability depends heavily on the fulfilment of performance conditions and on periodic program reviews. The country must pay back (=repurchase its own currency and pay for it with hard currencies) in 3.25 to 5 years after each original purchase.

This was followed by the General Agreement to Borrow (GAB) - a framework reference for all future facilities and by the CFF (Compensatory Financing Facility). The latter was augmented by loans available to countries to defray the rising costs of basic edibles and foodstuffs (cereals). The two merged to become CCFF (Compensatory and Contingency Financing Facility) - intended to compensate members with shortfalls in export earnings attributable to circumstances beyond their control and to help them to maintain adjustment programs in the face of external shocks. It also helps them to meet the rising costs of cereal imports and other external contingencies (some of them arising from previous IMF lending!). This credit is also available for a period of 3.25 to 5 years.

1971 was an important year in the history of the world's financial markets. The Bretton Woods Agreements were cancelled but instead of pulling the carpet under the proverbial legs of the IMF - it served

to strengthen its position. Under the Smithsonian Agreement, it was put in charge of maintaining the central exchange rates (though inside much wider bands). A committee of 20 members was set up to agree on a new world monetary system (known by its unfortunate acronym, CRIMS). Its recommendations led to the creation of the EFF (extended Financing Facility), which provided, for the first time, MEDIUM term assistance to members with BOP difficulties, which resulted from structural or macro-economic (rather than conjectural) economic changes. It served to support medium term (3 years) programs. In other respects, it is a replica of the SBA, except that that the repayment (=the repurchase, in IMF jargon) is in 4.5-10 years.

The 70s witnessed a proliferation of multilateral assistance programs. The IMF set up the SA (Subsidy Account), which assisted members to overcome the two destructive oil price shocks. An oil facility was formed to ameliorate the reverberating economic shock waves. A Trust Fund (TF) extended BOP assistance to developing member countries, utilizing the profits from gold sales. To top all these, an SFF (Supplementary Financing Facility) was established.

During the 1980s, the IMF had a growing role in various adjustment processes and in the financing of payments imbalances. It began to use a basket of 5 major currencies. It began to borrow funds for its purposes - the contributions did not meet its expanding roles.

It got involved in the Latin American Debt Crisis - namely, in problems of debt servicing. It is to this period that we can trace the emergence of the New IMF: invigorated, powerful, omnipresent, omniscient, mildly threatening - the monetary police of the global economic scene.

The SAF (Structural Adjustment Facility) was created. Its role was to provide BOP assistance on concessional terms to low income, developing countries (Macedonia benefited from its successor, ESAF). Five years later, following the now unjustly infamous Louvre Accord, which dealt with the stabilization of exchange rates), it was extended to become ESAF (Extended Structural Adjustment Facility). The idea was to support low-income members, which undertake a strong 3-year macroeconomic and structural program intended to



improve their BOP and to foster growth - providing that they are enduring protracted BOP problems. ESAF loans finance 3-year programs with a subsidized symbolic interest rate of 0.5% per annum. The country has 5 years grace and the loan matures in 10 years. The economic assessment of the country is assessed quarterly and biannually. Macedonia is only one of 79 countries eligible to receive ESAF funds.

In 1989, the IMF started linking support for debt reduction strategies of member countries to sustained medium term adjustment programs with strong elements of structural reforms and with access to IMF resources for the express purposes of retiring old debts, reducing outstanding borrowing from foreign sources or otherwise servicing debt without resorting to rescheduling it. To these ends, the IMF created the STF (Systemic Transformation Facility - also used by Macedonia). It was a temporary outfit, which expired in April 1995. It provided financial assistance to countries, which faced BOP difficulties, which arose from a transformation (transition) from planned economies to market ones. Only countries with what were judged by the IMF to have been severe disruptions in trade and payments arrangements benefited from it. It had to be repaid in 4.5-10 years.

In 1994, the Madrid Declaration set different goals for different varieties of economies. Industrial economies were supposed to emphasize sustained growth, reduction in unemployment and the prevention of a resurgence of by now subdued inflation. Developing countries were allocated the role of extending their growth. Countries in transition had to engage in bold stabilization and reform to win the Fund's approval. A new category was created, in the best of acronym tradition: HIPCs (Heavily Indebted Poor Countries). In 1997 New Arrangements to Borrow (NAB) were set in motion. They became the first and principal recourse in case that IMF supplementary resources were needed. No one imagined how quickly these would be exhausted and how far sighted these arrangement have proven to be. No one predicted the area either: Southeast Asia.

Despite these momentous structural changes in the ways in which the IMF extends its assistance, the details of the decision-making

processes have not been altered for more than half a century. The IMF has a Board of Governors. It includes 1 Governor (plus 1 Alternative Governor) from every member country (normally, the Minister of Finance or the Governor of the Central Bank of that member). They meet annually (in the autumn) and coordinate their meeting with that of the World Bank.

The Board of Governors oversees the operation of a Board of Executive Directors, which looks after the mundane, daily business. It is composed of the Managing Director (Michel Camdessus from 1987 till 2000) as the Chairman of the Board and 24 Executive Directors appointed or elected by big members or groups of members. There is also an Interim Committee of the International Monetary System.

The members' voting rights are determined by their quota which (as we said) is determined by their contributions and by their needs. The USA is the biggest gun, followed by Germany, Japan, France and the UK.

There is little dispute that the IMF is a big, indispensable, success. Without it the world monetary system would have entered phases of contraction much more readily. Without the assistance that it extends and the bitter medicines that it administers - many countries would have been in an even worse predicament than they are already. It imposes monetary and fiscal discipline, it forces governments to plan and think, it imposes painful adjustments and reforms. It serves as a convenient scapegoat: the politicians can blame it for the economic woes that their voters (or citizens) endure. It is very useful. Lately, it lends credibility to countries and manages crisis situations (though still not very skilfully).

This scapegoat role constitutes the basis for the first criticism. People the world over tend to hide behind the IMF leaf and blame the results of their incompetence and corruption on it. Where a market economy could have provided a swifter and more resolute adjustment - the diversion of scarce human and financial resources to negotiating with the IMF seems to prolong the agony. The abrogation of responsibility by decision makers poses a moral hazard: if successful - the credit goes to the politicians, if failing - the IMF is

always to blame. Rage and other negative feeling, which would have normally brought about real, transparent, corruption-free, efficient market economy are vented and deflected. The IMF money encourages corrupt and inefficient spending because it cannot really be controlled and monitored (at least not on a real time basis). Also, the more resources governments have - the more will be lost to corruption and inefficiency. Zimbabwe is a case in point: following a dispute regarding an austerity package dictated by the IMF (the government did not feel like cutting government spending to that extent) - the country was cut off from IMF funding. The results were surprising: with less financing from the IMF (and as a result - from donor countries, as well) - the government was forced to rationalize and to restrict its spending. The IMF would not have achieved these results because its control mechanisms are flawed: they rely heavily on local, official input and they are remote (from Washington). They are also underfunded.

Despite these shortcomings, the IMF assumed two roles, which were not historically identified with it. It became a country credit risk-rating agency. The absence of an IMF seal of approval could - and usually does - mean financial suffocation. No banks or donor countries will extend credit to a country lacking the IMF's endorsement. On the other hand, as authority (to rate) is shifted - so does responsibility. The IMF became a super-guarantor of the debts of both the public and private sectors. This encourages irresponsible lending and investments (why worry, the IMF will bail me out in case of default). This is the "Moral Hazard": the safety net is fast being transformed into a licence to gamble. The profits accrue to the gambler - the losses to the IMF. This does not encourage prudence or discipline.

The IMF is too restricted both in its ability to operate and in its ability to conceptualise and to innovate. It is too stale: a scroll in the age of the video clip. It, therefore, resorts to prescribing the same medicine of austerity to all the country patients, which are suffering from a myriad of economic diseases. No one would call a doctor who uniformly administers penicillin - a good doctor and, yet, this, exactly is what the IMF is doing. And it is doing so with utter

disregard and ignorance of the local social, cultural (even economic) realities. Add to this the fact that the IMF's ability to influence the financial markets in an age of globalisation is dubious (to use a gross understatement - the daily turnover in the foreign exchange markets alone is 6 times the total equity of this organization). The result is fiascos like South Korea where a 60 billion USD aid package was consumed in days without providing any discernible betterment of the economic situation. More and more, the IMF looks anachronistic (not to say archaic) and its goals untenable.

The IMF also displays the whole gamut of problems which plague every bureaucratic institution: discrimination (why help Mexico and not Bulgaria - is it because it shares no border with the USA), politicisation (South Korean officials complained that the IMF officials were trying to smuggle trade concessions to the USA in an otherwise totally financial package of measures) and too much red tape. But this was to be expected of an organization this size and with so much power.

The medicine is no better than the doctor or, for that matter, than the disease that it is intended to cure.

The IMF forces governments to restrict flows of capital and goods. Reducing budget deficits belongs to the former - reducing balance of payments deficits, to the latter. Consequently, government find themselves between the hard rock of not complying with the IMF performance demands (and criteria) - and the hammer of needing its assistance more and more often, getting hooked on it.

The crusader-economist Michel Chossudowski wrote once that the IMF's adjustment policies "trigger the destruction of whole economies". With all due respect (Chossudowski conducted research in 100 countries regarding this issue), this looks a trifle overblown. Overall, the IMF has beneficial accounts, which cannot be discounted so off-handedly. But the process that he describes is, to some extent, true:

Devaluation (forced on the country by the IMF in order to encourage its exports and to stabilize its currency) leads to an increase in the general price level (also known as inflation). In other words: immediately after a devaluation, the prices go up (this

happened in Macedonia and led to a doubling of the inflation which persisted before the 16% devaluation in July 1997). High prices burden businesses and increase their default rates. The banks increase their interest rates to compensate for the higher risk (=higher default rate) and to claw back part of the inflation (=to maintain the same REAL interest rates as before the increase in inflation). Wages are never fully indexed. The salaries lag after the cost of living and the purchasing power of households is eroded. Taxes fall as a result of a decrease in wages and the collapse of many businesses and either the budget is cruelly cut (austerity and scaling back of social services) or the budget deficit increases (because the government spends more than it collects in taxes). Another bad option (though rarely used) is to raise taxes or improve the collection mechanisms. Rising manufacturing costs (fuel and freight are denominated in foreign currencies and so do many of the tradable inputs) lead to pricing out of many of the local firms (their prices become too high for the local markets to afford). A flood of cheaper imports ensues and the comparative advantages of the country suffer. Finally, the creditors take over the national economic policy (which is reminiscent of darker, colonial times).

And if this sounds familiar it is because this is exactly what is happening in Macedonia today. Communism to some extent was replaced by IMF-ism. In an age of the death of ideologies, this is a poor - and dangerous - choice. The country spends 500 million USD annually on totally unnecessary consumption (cars, jam, detergents). It gets this money from the IMF and from donor countries but an awful price: the loss of its hard earned autonomy and freedom. No country is independent if the strings of its purse are held by others.

*(Article written in January, 1998)*

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# The IMF Deconstructed

## A Dialogue with Mr. Tom Rodwell

*The following is a standard IMF document, taken from its own website. Underlined phrases are related to categories A and/or B (see below). The phrases here are general examples as part of general criticism of the ideological tone and "aesthetic" of the IMF. This dialogue is a combination of philosophy and economics: does/can the IMF (or any organization) "**facilitate** the expansion and **balanced** growth of international trade?"*

The IMF is the cornerstone and centrepiece of the financial architecture of the world. Long a sacred cow, it has lately become the eye of a controversy. Its prescriptions to ailing countries as diverse as Zimbabwe and Russia have, at times, proven to be inadequate, some say: ruinous. The IMF is a result of an ideology and its instrument. This is clearly revealed in its intentionally vaguely phrased documents. Tom and Sam, a philosopher/journalist/composer and a philosopher and physicist turned economist, try to read between the lines (in the best of East European traditions...).

**The IMF:**

### ***Statutory Purposes***

The IMF was created to promote international monetary co-operation; to facilitate the expansion and balanced growth of international trade; to promote exchange stability; to assist in the establishment of a multilateral system of payments; to make its general resources temporarily available to its members experiencing

balance of payments difficulties under adequate safeguards; and to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.

### ***Areas of Activity***

Surveillance is the process by which the IMF appraises its members' exchange rate policies within the framework of a comprehensive analysis of the general economic situation and the policy strategy of each member. The IMF fulfils its surveillance responsibilities through: annual bilateral Article IV consultations with individual countries; multilateral surveillance twice a year in the context of its World Economic Outlook (WEO) exercise; and precautionary arrangements, enhanced surveillance, and program monitoring, which provide a member with close monitoring from the IMF in the absence of the use of IMF resources. (Precautionary arrangements serve to boost international confidence in a member's policies. Program monitoring may include the setting of benchmarks under a shadow program, but it does not constitute a formal IMF endorsement.)

### **IMF IDEOLOGICAL TONE**

#### ***Tom:***

The nature of the IMF is inextricably linked with its controlling member state and staff's economic and political viewpoints. The IMF talks about itself, and about economic/political phenomena generally, in precisely the same terms. The kind of economics it discusses is one of authority, monitoring, and, dare I say it, intervention. While the IMF allegedly intends to promote "international monetary co-operation" and to "facilitate the expansion and balanced growth of international trade" (standard free-market shibboleths), it consistently refers to "enhanced surveillance", "close monitoring", and "precautionary arrangements". Orwellian undertones are hardly muffled.

#### ***Sam:***

The IMF has yet to adopt the "client-orientated" approach. It harbours deep (and oft-justified) distrust of the willingness of governments to blindly follow its dictates. It is a paranoid organization, based on authoritarian techniques of "negotiations" and "agreement". Euphemisms rule. Normally, the IMF holds "consultations" with the host governments. These are rather one-sided affairs. The governments are needy and impoverished ones. They lack the cadre of educated people needed in order to truly engage the IMF in constructive discourse. They are intimidated by the bullying tactics of the IMF and of its emissaries. The tone is imperial and impatient.

**Tom:**

The IMF clearly sees itself as *the* authority on international development ideology. International development becomes an ideological construction, with subsets of subjective terms: free trade, financial contact, and economic vision. Many of these terms are defined in such a way that they enframe that which they discuss. The ideological position of the influential members is often significantly different from the developing countries. Sadly, the ideology only becomes reality when it is part of every day life in the developing nations.

**Sam:**

Worse still, the IMF's language is riddled with contradictions in terms and logical fallacies. Let us review a few: International monetary cooperation in IMF lingo means exchange (rate) stability. But with such stability the expansion and balanced growth of international trade is not achievable. Trade is based on dynamic exchange rate disparities. Moreover, there is nothing inherently wrong in such dynamism. The changing disparities reflect the relative advantages of the countries involved. In a world of fixed exchange rates - trade stagnates. And what is "balanced" growth anyhow? Trade has been growing at 3-5% annually for a few years now. Is this balanced, overdone or insufficient, as some free trade zealots cry out?



Additionally, a regime of stable exchange rates won't go far towards facilitating the second result: to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members. If a country runs a gigantic balance of payments deficit but is not permitted by the IMF to devalue its currency, in the name of exchange rate stability - its balance of payments is only likely to worsen. Take Macedonia: with a 14% of GDP deficit in its BOP - it MUST devalue and URGENTLY. Its currency is HEAVILY overvalued and the whole economy is deflating. Yet, the IMF is about to repeat there the same grave error it committed in Russia: to protect the currency, the whole system is drained of liquidity (demonetised), interest rates are kept insanely high and the balance of payments deficit skyrockets, until the inevitable collapse. If the IMF is interested in self-perpetuating crisis situations in order to preserve its clout - it is doing a fine job indeed.

The IMF was never authorized to rate the creditworthiness of its shareholders (=the countries). It is acting ultra vires in providing clean or soiled bills of financial health. Its ability to strangle a country financially if it does not comply with its programmes - no matter what the social or economic costs are - is very worrying.

## **LANGUAGE**

### ***Tom:***

The language in the IMF document can be roughly divided into two sections.

**A** Phrases concerning the-history-role/activities-nature of the IMF  
**B** Phrases concerning - subjective economic and political concepts - local policy - international policy.

Here's my summary of the kind of language used:

1. Quasi-intellectual terms ("big words for a dismal science"), e.g. disequilibrium, comprehensive analysis, policy strategy;
2. Spin-doctoring euphemisms, e.g. promote, facilitate, balance, co-operation, safeguards, monitoring, responsibilities, precautionary arrangements, endorsement, benchmarks. This also includes intimidating terms such as "surveillance";

3. Distancing terms, e.g. members, general economic situation, policy strategy.

(1) Is simply pretension. The average "comprehensive analysis" undertaken by the IMF is often curiously selective and self-serving.

**Sam:**

Not to mention cursory "kangaroo-court" economic judgements replete with clear contempt and disregard for the "natives". The latter are held to be cheats who are merely trying to extort as much money as they can and probably stash it in Swiss bank accounts (private ones, needless to say).

**Tom:**

(2) Is the most obnoxious section. These phrases mislead. They paint a picture of the stability and democracy that supposedly is Western capitalism. They paint an image of the IMF as a fair, unbiased, caring, and democratic organisation. These phrases also confuse in that they connect "nice terms" (like balance, co-operation and safeguards) with complicated and subjective economic terms. Thus the language often functions as a "pacifier", or perhaps as a "chaser", softening the blow of the "hard stuff".

(3) Indicates the insular attitude of the IMF. Their "grand scheme" is apparently removed from localised activities and concerns.

**Sam:**

There is one place, which absolutely complies with the IMF utopia. There is no inflation there. People do not particularly care if the exchange rate never changes or what is the outlandish level of interest rates needed to ensure this eerie stability. It is the cemetery.

The IMF's deadly sin, yet to yield its grapes of wrath, is not to understand that economics is a branch of psychology and should be at the service of humans and society. When setting economic goals one must always act with pragmatism and compassion. In the realm of humans, to be compassionate IS to be pragmatic. Otherwise, reality is bound to frustrate the most rigorous planning. If social costs are not accounted for - unemployment will bring about crime

and a black market, which will render the official market and its statistics meaningless, for instance. If exchange rate stability supported by inately high interest rates prevails over the goals of industrial reconstruction and export-enhancement, the result is erosion of the very fabric of society. Lack of liquidity translates into a lack of trust in fellow citizens and in institutions. If public expenditures are harnessed too strenuously - corruption will flourish. The IMF's propensity to provide a "catchall" one-measure-fits-all panacea is nothing short of shortsighted and disastrous. It cannot be that the same financial recipe will apply to Pakistan, Macedonia, Estonia and Russia. Yet, a close scrutiny of the four IMF programmes imposed upon these countries (Estonia wriggled out) - demonstrates striking similarities. It is a fact that there are conflicting CAPITALIST economic models. Not because human nature is so diverse - and it is - but because different people have different preferences. Americans prefer profits and self-reliance to social justice. Not so the French. Paradoxically, this is exactly why markets exist: to trade in disparate preferences. The IMF is a central planning agency but as opposed to previous models it believes that it is omniscient - and knows that it is omnipotent.

**Tom:**

The IMF's desire to paint a kind of stasis on the world economy is, as you have said, a kind of religious-ideological defence mechanism. The language employed by the IMF is an attempt to give form to the haphazard and contradictory nature of international trade and development. This language functions in a similar way to their policies, in that both seek to describe and promote a uniform concept/practice of international economics.

The reference to economics as a branch of psychology is spot-on. It is ignorant, unethical and unworkable to attempt to impose or promote any kind of exclusive and conformist concept of "the economy". Indeed, the IMF's bizarre language and policies reveal a mistaken view (commonly held) that there is such a single practice or entity called "The Economy", or "International Trade". Absolutist and limiting concepts of economy (communism, now capitalism) are

increasingly being shown to be unworkable. The language used by the IMF is evidence of the impractical, restrictive and unethical nature of an elitist concept/practice of economics.

#### FINAL STATEMENT

*Tom:*

The IMF is a part of the industry of "trade", "development", and "economics" in general. This criticism of the language found in their promotional documents is, in some ways, a criticism of the aforementioned "economics industry" in general. When I first read the IMF's comments/reports, I was struck by the combination of arrogance and defensiveness (in a tone of barely muted desperation). I now believe that these documents were written with the first whiff of fear in the NYC air-conditioned office *ambience*. No doubt that those miners, steel workers, farmers, and manufacturers whose own industries were flattened by free trade hysteria will feel a *tiny* degree of satisfaction, if we really are seeing the decline of the "economics industry".

The IMF is unethical because it espouses an abstract concept "free trade" that influences the complex process of "development" (too often defined with insufficient complexity) while being unconcerned with specific and local realities and interactions. It is simply too abstract: international development is not assisted on a *truly* local level by investment in the military, state, or heavy industry. It is ridiculous for a third world country to build massive steel-plants, or allow foreign companies to extract vast amounts of timber or oil, when local people are concerned with finding clean drinking water. This abstraction criticism stands for the entire "economics industry", and will continue to do so while it has an insufficiently perceptive and complex understanding of localised realities.

The language of economics is murky, and our criticism of it will remain justified as long as the IMF (et al) produce officious and misleading documents. The practice of economics is also murky, and our criticism of it too will remain justified as long as policies that are illogical, impractical and unethical are produced and enforced.

**Sam:**

The IMF is an essential institution. There must exist a multilateral organization geared towards the maintenance of the marketplace itself. But the IMF should get rid of its Multiple Personality Disorder. It must first decide WHAT is it: a lender of last resort? A creditworthiness-rating agency, sort of an ominous Moody's? A missionary organization, preaching a particular brand of the religion known as capitalism? A commercially-orientated, return-on-investment based financial organization? Dumping grounds for aging politicians and third-rate bankers doing the USA's bidding? Whatever the definition, it is bound to be far superior to the current muddled state of affairs.

Second, the IMF must maintain transparency. It controls vast resources. It is prone to be inefficient (not to say corrupt). Transparency humbles, ensures the injection of fresh intellectual blood, improves performance, and gives taxpayers a good feeling. The IMF needs to be humbled. Its actions have been politicised lately. It intervenes in the internal affairs of dozens of sovereign, reasonably managed countries - and its intervention is not confined to matters economic. It develops an internal "Organizational cult" (we know best and always). It is one of the most rigid and intellectually handicapped organizations in the world, yet it considers itself a bastion of economic ingenuity and righteousness. Delusions of grandeur are dangerous on such a scale.

Third, the revamped, no-longer-haughty, IMF must be able to fine tune to different social and cultural constraints in different spots of the world. It must strive at least to BE SEEN to be trying to minimize the social costs of its often-botched plans. It must not behave as a colonial power, which it often does. It must establish trust rather than impose discipline. Otherwise, it stands no chance to laugh last. Actually, it stands no chance even to survive.

*(Article published January 4, 1999 in "The New Presence")*

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## Financial Crisis, Global Capital Flows and the International Financial Architecture

The recent upheavals in the world financial markets were quelled by the immediate intervention of both international financial institutions such as the IMF and of domestic ones in the developed countries, such as the Federal Reserve in the USA. The danger seems to have passed, though recent tremors in South Korea, Brazil and Taiwan do not augur well. We may face yet another crisis of the same or a larger magnitude momentarily.

What are the lessons that we can derive from the last crisis to avoid the next?

The first lesson, it would seem, is that short term and long-term capital flows are two disparate phenomena with very little in common. The former is speculative and technical in nature and has very little to do with fundamental realities. The latter is investment oriented and committed to the increasing of the welfare and wealth of its new domicile. It is, therefore, wrong to talk about "global capital flows". There are investments (including even long term portfolio investments and venture capital) - and there is speculative, "hot" money. While "hot money" is very useful as a lubricant on the wheels of liquid capital markets in rich countries - it can be destructive in less liquid, immature economies or in economies in transition.

The two phenomena should be accorded a different treatment. While long-term capital flows should be completely liberalized, encouraged and welcomed - the short term, "hot money" type should be controlled and even discouraged. The introduction of fiscally oriented capital controls (as Chile has implemented) is one possibility. The less attractive Malaysian model springs to mind. It is

less attractive because it penalizes both the short term and the long-term financial players. But it is clear that an important and integral part of the new International Financial Architecture MUST be the control of speculative money in pursuit of ever-higher yields. There is nothing inherently wrong with high yields - but the capital markets provide yields connected to economic depression and to price collapses through the mechanism of short selling and through the usage of certain derivatives. This aspect of things must be neutered or at least countered.

The second lesson is the important role that central banks and other financial authorities play in the precipitation of financial crises - or in their prolongation. Financial bubbles and asset price inflation are the result of euphoric and irrational exuberance - said the Chairman of the Federal Reserve Bank of the United States, the legendary Mr. Greenspan and who can dispute this? But the question that was delicately sidestepped was: WHO is responsible for financial bubbles? Expansive monetary policies, well-timed signals in the interest rates markets, liquidity injections, currency interventions, and international salvage operations - are all co-ordinated by central banks and by other central or international institutions. Official INACTION is as conducive to the inflation of financial bubbles as is official ACTION. By refusing to restructure the banking system, to introduce appropriate bankruptcy procedures, corporate transparency and good corporate governance, by engaging in protectionism and isolationism, by avoiding the implementation of anti competition legislation - many countries have fostered the vacuum within which financial crises breed.

The third lesson is that international financial institutions can be of some help - when not driven by political or geopolitical considerations and when not married to a dogma. Unfortunately, these are the rare cases. Most IFIs - notably the IMF and, to a lesser extent, the World Bank - are both politicised and doctrinaire. It is only lately and following the recent mega-crisis in Asia, that IFIs began to "reinvent" themselves, their doctrines and their recipes. This added conceptual and theoretical flexibility led to better

results. It is always better to tailor a solution to the needs of the client. Perhaps this should be the biggest evolutionary step:

That IFIs will cease to regard the countries and governments within their remit as inefficient and corrupt beggars, in constant need of financial infusions. Rather they should regard these countries as CLIENTS, customers in need of service. After all, this, exactly, is the essence of the free market - and it is from IFIs that such countries should learn the ways of the free market.

In broad outline, there are two types of emerging solutions. One type is market oriented - and the other, interventionist. The first type calls for free markets, specially designed financial instruments (see the example of the Brady bonds) and a global "laissez faire" environment to solve the issue of financial crises. The second approach regards the free markets as the SOURCE of the problem, rather than its solution. It calls for domestic and where necessary international intervention and assistance in resolving financial crises.

Both approaches have their merits and both should be applied in varying combinations on a case by case basis.

Indeed, this is the greatest lesson of all:

There are NO magic bullets, final solutions, right ways and only recipes. This is a trial and error process and in war one should not limit one's arsenal. Let us employ all the weapons at our disposal to achieve the best results for everyone involved.

*(Article written on August 18, 1999)*

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## The Shadowy World of International Finance

Strange, penumbral, characters roam the boardrooms of banks in the countries in transition. Some of them pop apparently from nowhere, others are very well connected and equipped with the most excellent introductions. They all peddle financial transactions which are too good to be true and often are. In the unctuously perfumed propinquity of their Mercedeses, Rolex waving entourage - the polydipsic natives dissolve in their irresistible charm and the temptations of the cash: mountainous returns on capital, effulgent profits, no collaterals, track record, or business plan required. Total security is cloyingly assured.

These Faustus roughly belong to four tribes:

### *The Shoppers*

These are the shabby operators of the marginal shadows of the world of finance. They broker financial deals with meretricious sweat only to be rewarded their meagre, humiliated fees. Most of their deals do not materialize. The principle is very simple:

They approach a bank, a financial institution, or a borrower and say: "We are connected to banks or financial institutions in the West. We can bring you money in the form of credits. But to do that - you must first express interest in getting this money. You must furnish us with a bank guarantee/promissory note/letter of intent that indicates that you desire the credit and that you are willing to provide a liquid financial instrument to back it up." Having obtained such instruments, the shoppers begin to "shop around". They approach banks and financial institutions (usually, in the West). This time, they reverse their text: "We have an excellent client, a good borrower. Are you willing to lend to it?" An informal process of

tendering ensues. Sometimes it ends in a transaction and the shopper collects a small commission (between one quarter of a percentage point and two percentage points - depending on the amount). Mostly it doesn't -and the Flying Dutchman resumes his wanderings looking for more venal gulosity and less legal probity.

### ***The Con-Men***

These are crooks who set up elaborate schemes ("sting operations") to extract money from unsuspecting people and financial institutions. They establish "front" or "phantom" firms and offices throughout the world. They tempt the gullible by offering them enormous, immediate, tax-free, effort-free, profits. They let the victims profit in the first round or two of the scam. Then, they sting: the victims invest money and it evaporates together with the dishonest operators. The "offices" are deserted, the fake identities, the forged bank references, the falsified guarantees are all exposed (often with the help of an inside informant).

Probably the most famous and enduring scam is the "Nigerian-type Connection". Letters - allegedly composed by very influential and highly placed officials - are sent out to unsuspecting businessmen. The latter are asked to make their bank accounts available to the former, who profess to need the third party bank accounts through which to funnel the sweet fruits of corruption. The account owners are promised huge financial rewards if they collaborate and if they bear some minor-by-comparison upfront costs. The con-men pocket these "expenses" and vanish. Sometimes, they even empty the accounts of their entire balance as they evaporate.

### ***The Launderers***

A lot of cash goes undeclared to tax authorities in countries in transition. The informal economy (the daughter of both criminal and legitimate parents) comprises between 15% (Slovenia) and 50% (Russia, Macedonia) of the official one. Some say these figures are a deliberate and ferocious understatement. These are mind boggling amounts, which circulate between financial centres and off shore

havens in the world: Cyprus, the Cayman Islands, Liechtenstein (Vaduz), Panama and dozens of aspiring laundrettes.

The money thus smuggled is kept in low-yielding cash deposits. To escape the cruel fate of inflationary corrosion, it has to be reinvested. It is stealthily re-introduced to the very economy that it so sought to evade, in the form of investment capital or other financial assets (loans and credits). Its anxious owners are preoccupied with legitimising their stillborn cash through the conduit of tax-fearing enterprises, or with lending it to same. The emphasis is on the word: "legitimate". The money surges in through mysterious and anonymous foreign corporations, via off-shore banking centres, even through respectable financial institutions (the Bank of New York we mentioned?). It is easy to recognize a laundering operation. Its hallmark is a pronounced lack of selectivity. The money is invested in anything and everything, as long as it appears legitimate. Diversification is not sought by these nouveau tycoons and they have no core investment strategy. They spread their illicit funds among dozens of disparate economic activities and show not the slightest interest in the putative yields on their investments, the maturity of their assets, the quality of their newly acquired businesses, their history, or real value. Never the sedulous, they pay exorbitantly for all manner of prestidigital endeavours. The future prospects and other normal investment criteria are beyond them. All they are after is a mirage of lapidarity.

#### ***The Investors***

This is the most intriguing group. Normative, law abiding, businessmen, who stumbled across methods to secure excessive yields on their capital and are looking to borrow their way into increasing it. By cleverly participating in bond tenders, by devising ingenious option strategies, or by arbitraging - yields of up to 300% can be collected in the immature markets of transition without the normally associated risks. These sub-species can be found mainly in Russia and in the Balkans.

Its members often buy sovereign bonds and notes at discounts of up to 80% of their face value. Russian obligations could be had for

less in August 1998 and Macedonian ones during the Kosovo crisis. In cahoots with the issuing country's central bank, they then convert the obligations to local currency at par (=for 100% of their face value). The difference makes, needless to add, for an immediate and hefty profit, yet it is in (often worthless and vicissitudinal) local currency. The latter is then hurriedly disposed of (at a discount) and sold to multinationals with operations in the country of issue, which are in need of local tender. This fast becomes an almost addictive avocation.

Intoxicated by this pecuniary nectar, the fortunate, those privy to the secret, try to raise more capital by hunting for financial instruments they can convert to cash in Western banks. A bank guarantee, a promissory note, a confirmed letter of credit, a note or a bond guaranteed by the Central Bank - all will do as deposited collateral against which a credit line is established and cash is drawn. The cash is then invested in a new cycle of inebriation to yield fantastic profits.

It is easy to identify these "investors". They eagerly seek financial instruments from almost any local bank, no matter how suspect. They offer to pay for these coveted documents (bank guarantees, bankers' acceptances, letters of credit) either in cash or by lending to the bank's clients and this within a month or more from the date of their issuance. They agree to "cancel" the locally issued financial instruments by offering a "counter-financial-instrument" (safe keeping receipt, contra-guarantee, counter promissory note, etc.). This "counter-instrument" is issued by the very Prime World or European Bank in which the locally issued financial instruments are deposited as collateral.

The Investors invariably confidently claim that the financial instrument issued by the local bank will never be presented or used (which is true) and that this is a risk free transaction (which is not entirely so). If they are forced to lend to the bank's clients, they often ignore the quality of the credit takers, the yields, the maturities and other considerations, which normally tend to interest lenders very much.

Whether a financial instrument cancelled by another is still valid, presentable and should be honoured by its issuer is still debated. In some cases it is clearly so. If something goes horribly (and rarely, admittedly) wrong with these transactions - the local bank stands to suffer, too.

It all boils down to a terrible hunger, the kind of thirst that can be quelled only by the denominated liquidity of lucre. In the post nuclear landscape of this part of the world, a fantasy is shared by both predators and prey. Circling each other in marble temples, they switch their roles in dizzying progression. Tycoons and politicians, industrialists and bureaucrats all vie for the attention of Mammon. The shifting coalitions of well-groomed man in back stabbed suits, an hallucinatory carousel of avarice and guile. But every circus folds and every luna park is destined to shut down. The dying music, the frozen accounts of the deceived, the bankrupt banks, the Jurassic Park of skeletal industrial beasts - a muted testimony to a wild age of mutual assured destruction and self deceit. The future of Eastern and South Europe. The present of Russia, Albania and Yugoslavia.

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## The Typology of Financial Scandals

Tulipmania - this is the name coined for the first pyramid investment scheme in history.

In 1634, tulip bulbs were traded in a special exchange in Amsterdam. People used these bulbs as means of exchange and value store. They traded them and speculated in them. The rare black tulip bulbs were as valuable as a big mansion house. The craze lasted four years and it seemed that it would last forever. But this was not to be.

The bubble burst in 1637. In a matter of a few days, the price of tulip bulbs was slashed by 96%!

This specific pyramid investment scheme was somewhat different from the ones, which were to follow it in human financial history elsewhere in the world. It had no "organizing committee", no identifiable group of movers and shakers, which controlled and directed it. Also, no explicit promises were ever made concerning the profits, which the investors could expect from participating in the scheme - or even that profits were forthcoming to them.

Since then, pyramid schemes have evolved into intricate psychological ploys.

Modern ones have a few characteristics in common:

First, they involve ever growing numbers of people. They mushroom exponentially into proportions that usually threaten the national economy and the very fabric of society. All of them have grave political and social implications.

Hundreds of thousands of investors (in a population of less than 3.5 million souls) were deeply enmeshed in the 1983 banking crisis in Israel.

This was a classic pyramid scheme: the banks offered their own shares for sale, promising investors that the price of the shares will only go up (sometimes by 2% daily). The banks used depositors' money, their capital, their profits and money that they borrowed abroad to keep this impossible and unhealthy promise. Everyone knew what was going on and everyone was involved.

The Ministers of Finance, the Governors of the Central Bank assisted the banks in these criminal pursuits. This specific pyramid scheme - arguably, the longest in history - lasted 7 years.

On one day in October 1983, ALL the banks in Israel collapsed. The government faced such civil unrest that it was forced to compensate shareholders through an elaborate share buyback plan, which lasted 9 years. The total indirect damage is hard to evaluate, but the direct damage amounted to 6 billion USD.

This specific incident highlights another important attribute of pyramid schemes: investors are promised impossibly high yields, either by way of profits or by way of interest paid. Such yields cannot be derived from the proper investment of the funds - so, the organizers resort to dirty tricks.

They use new money, invested by new investors - to pay off the old investors.

The religion of Islam forbids lenders to charge interest on the credits that they provide. This prohibition is problematic in modern day life and could bring modern finance to a complete halt.

It was against this backdrop, that a few entrepreneurs and religious figures in Egypt and in Pakistan established what they called: "Islamic banks". These banks refrained from either paying interest to depositors - or from charging their clients interest on the loans that they doled out. Instead, they have made their depositors partners in fictitious profits - and have charged their clients for fictitious losses. All would have been well had the Islamic banks stuck to healthier business practices.

But they offer impossibly high "profits" and ended the way every pyramid ends: they collapsed and dragged economies and political establishments with them.

The latest example of the price paid by whole nations due to failed pyramid schemes is, of course, Albania 1997. One third of the population was heavily involved in a series of heavily leveraged investment plans, which collapsed almost simultaneously. Inept political and financial crisis management led Albania to the verge of disintegration into civil war.

But why must pyramid schemes fail? Why can't they continue forever, riding on the back of new money and keeping every investor happy, new and old?

The reason is that the number of new investors - and, therefore, the amount of new money available to the pyramid's organizers - is limited. There are just so many risk takers. The day of judgement is heralded by an ominous mismatch between overblown obligations and the trickling down of new money. When there is no more money available to pay off the old investors, panic ensues. Everyone wants to draw money at the same time. This, evidently, is never possible - some of the money is usually invested in real estate or was provided as a loan. Even the most stable and healthiest financial institutions never put aside more than 10% of the money deposited with them.

Thus, pyramids are doomed to collapse.

But, then, most of the investors in pyramids know that pyramids are scams, not schemes. They stand warned by the collapse of other pyramid schemes, sometimes in the same place and at the same time. Still, they are attracted again and again as butterflies are to the fire and with the same results.

The reason is as old as human psychology: greed, avarice. The organizers promise the investors two things: (1) that they could draw their money anytime that they want to and (2) that in the meantime, they will be able to continue to receive high returns on their money.

People know that this is highly improbable and that the likelihood that they will lose all or part of their money grows with time. But they convince themselves that the high profits or interest payments that they will be able to collect before the pyramid collapses - will more than amply compensate them for the loss of their money. Some of them hope to succeed in drawing the money before the imminent collapse, based on "warning signs". In other words, the investors



believe that they can outwit the organizers of the pyramid. The investors collaborate with the organizers on the psychological level: cheated and deceiver engage in a delicate ballet leading to their mutual downfall.

This is undeniably the most dangerous of all types of financial scandals. It insidiously pervades the very fabric of human interactions. It distorts economic decisions and it ends in misery on a national scale. It is the scourge of societies in transition.

The second type of financial scandals is normally connected to the laundering of capital generated in the "black economy", namely: the income not reported to the tax authorities. Such money passes through banking channels, changes ownership a few times, so that its track is covered and the identities of the owners of the money are concealed. Money generated by drug dealings, illicit arm trade and the less exotic form of tax evasion is thus "laundered".

The financial institutions, which participate in laundering operations, maintain double accounting books. One book is for the purposes of the official authorities. Those agencies and authorities that deal with taxation, bank supervision, deposit insurance and financial liquidity are given access to this set of "engineered" books. The true record is kept hidden in another set of books. These accounts reflect the real situation of the financial institution: who deposited how much, when and under which conditions - and who borrowed what, when and under which conditions.

This double standard blurs the true situation of the institution to the point of no return. Even the owners of the institution begin to lose track of its activities and misapprehend its real standing.

Is it stable? Is it liquid? Is the asset portfolio diversified enough? No one knows. The fog enshrouds even those who created it in the first place. No proper financial control and audit is possible under such circumstances.

Less scrupulous members of the management and the staff of such financial bodies usually take advantage of the situation. Embezzlements are very widespread, abuse of authority, misuse or misplacement of funds. Where no light shines, a lot of creepy creatures tend to develop.

The most famous - and biggest - financial scandal of this type in human history was the collapse of the Bank for Credit and Commerce International LTD. (BCCI) in London in 1991. For almost a decade, the management and employees of this shady bank engaged in stealing and misappropriating 10 billion (!!!) USD. The supervision department of the Bank of England, under whose scrutinizing eyes this bank was supposed to have been - was proven to be impotent and incompetent. The owners of the bank - some Arab Sheikhs - had to invest billions of dollars in compensating its depositors.

The combination of black money, shoddy financial controls, shady bank accounts and shredded documents proves to be quite elusive. It is impossible to evaluate the total damage in such cases.

The third type is the most elusive, the hardest to discover. It is very common and scandal may erupt - or never occur, depending on chance, cash flows and the intellects of those involved.

Financial institutions are subject to political pressures, forcing them to give credits to the unworthy - or to forgo diversification (to give too much credit to a single borrower). Only lately in South Korea, such politically motivated loans were discovered to have been given to the failing Hanbo conglomerate by virtually every bank in the country. The same may safely be said about banks in Japan and almost everywhere else. Very few banks would dare to refuse the Finance Minister's cronies, for instance.

Some banks would subject the review of credit applications to social considerations. They would lend to certain sectors of the economy, regardless of their financial viability. They would lend to the needy, to the affluent, to urban renewal programs, to small businesses - and all in the name of social causes, which, however justified - cannot justify giving loans.

This is a private case in a more widespread phenomenon: the assets (=loan portfolios) of many a financial institution are not diversified enough. Their loans are concentrated in a single sector of the economy (agriculture, industry, construction), in a given country, or geographical region. Such exposure is detrimental to the financial health of the lending institution. Economic trends tend to develop in unison in the same sector, country, or region. When real

estate in the West Coast of the USA plummets - it does so indiscriminately. A bank, whose total portfolio is composed of mortgages to West Coast Realtors, would be demolished.

In 1982, Mexico defaulted on the interest payments of its international debts. Its arrears grew enormously and threatened the stability of the entire Western financial system. USA banks - which were the most exposed to the Latin American debt crisis - had to foot the bulk of the bill, which amounted to tens of billions of USD. They had almost all their capital tied up in loans to Latin American countries. Financial institutions bow to fads and fashions. They are amenable to "lending trends" and display a herd-like mentality. They tend to concentrate their assets where they believe that they could get the highest yields in the shortest possible periods of time. In this sense, they are not very different from investors in pyramid investment schemes.

Financial mismanagement can also be the result of lax or flawed financial controls. The internal audit department in every financing institution - and the external audit exercised by the appropriate supervision authorities are responsible to counter the natural human propensity for gambling. They must help the financial organization re-orient itself in accordance with objective and objectively analysed data. If they fail to do this - the financial institution would tend to behave like a ship without navigation tools. Financial audit regulations (the most famous of which are the American FASBs) trail way behind the development of the modern financial marketplace. Still, their judicious and careful implementation could be of invaluable assistance in steering away from financial scandals.

Taking human psychology into account - coupled with the complexity of the modern world of finances - it is nothing less than a miracle that financial scandals are as few and far between as they are.

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## The Revolt of the Poor

### The Demise of Intellectual Property

A year ago I published a book of short stories in Israel. The publishing house belongs to Israel's leading (and exceedingly wealthy) newspaper. I signed a contract, which stated that I am entitled to receive 8% of the income from the sales of the book after commissions payable to distributors, shops, etc. A few months later, I won the coveted Prize of the Ministry of Education (for short prose). The prize money (a few thousand DMs) was snatched by the publishing house on the legal grounds that all the money generated by the book belongs to them because they own the copyright.

In the mythology generated by capitalism to pacify the masses, the myth of intellectual property stands out. It goes like this: if the rights to intellectual property were not defined and enforced, commercial entrepreneurs would not have taken on the risks associated with publishing books, recording records and preparing multimedia products. As a result, creative people will have suffered because they will have found no way to make their works accessible to the public. Ultimately, it is the public, which pays the price of piracy, goes the refrain.

But this is factually untrue. In the USA there is a very limited group of authors who actually live by their pen. Only select musicians eke out a living from their noisy vocation (most of them rock stars who own their labels - George Michael had to fight Sony to do just that) and very few actors come close to deriving subsistence level income from their profession. All these can no longer be thought of as mostly creative people. Forced to defend the intellectual property rights and the interests of Big Money, Madonna,

Michael Jackson, Schwarzenegger and Grisham are businessmen at least as much as they are artists.

Economically and rationally, we should expect that the costlier a work of art is to produce and the narrower its market - the more its intellectual property rights will be emphasized. Consider a publishing house. A book which costs 50,000 DM to produce with a potential audience of 1000 purchasers (certain academic texts are like this) - would have to be priced at a minimum of 100 DM to recoup only the direct costs. If illegally copied (thereby shrinking the potential market - some people will prefer to buy the cheaper illegal copies) - its price would have to go up prohibitively, thus driving out potential buyers. The story is different if a book costs 10,000 DM to produce and is priced at 20 DM a copy with a potential readership of 1,000,000 readers. Piracy (illegal copying) will in this case have been more readily tolerated as a marginal phenomenon.

This is the theory. But the facts are tellingly different. The less the cost of production (brought down by digital technologies) - the fiercer the battle against piracy. The bigger the market - the more pressure is applied to clamp down on the samizdat entrepreneurs. Governments, from China to Macedonia, are introducing intellectual property laws (under pressure from rich world countries) and enforcing them belatedly. But where one factory is closed on shore (as has been the case in mainland China) - two sprout off shore (as is the case in Hong Kong and in Bulgaria).

But this defies logic: the market today is huge, the costs of production and lower (with the exception of the music and film industries), the marketing channels more numerous (half of the income of movie studios emanates from video cassette sales), the speedy recouping of the investment virtually guaranteed. Moreover, piracy thrives in very poor markets in which the population would anyhow not have paid the legal price. The illegal product is inferior to the legal copy (it comes with no literature, warranties or support). So why should the big manufacturers, publishing houses, record companies, software companies and fashion houses worry?

The answer lurks in history. Intellectual property is a relatively new notion. In the near past, no one considered knowledge or the

fruits of creativity (art, design) as "patentable", or as someone "property". The artist was but a mere channel through which divine grace flowed. Texts, discoveries, inventions, works of art and music, designs - all belonged to the community and could be replicated freely. True, the chosen ones, the conduits, were honoured but were rarely financially rewarded. They were commissioned to produce their works of art and were salaried, in most cases. Only with the advent of the Industrial Revolution were the embryonic precursors of intellectual property introduced but they were still limited to industrial designs and processes, mainly as embedded in machinery. The patent was born. The more massified the market, the more sophisticated the sales and marketing techniques, the bigger the financial stakes - the larger loomed the issue of intellectual property. It spread from machinery to designs, processes, books, newspapers, any printed matter, works of art and music, films (which, at their beginning were not considered art), software, software embedded in hardware and even unto genetic material.

Intellectual property rights - despite their noble title - are less about the intellect and more about property. This is Big Money: the markets in intellectual property outweigh the total industrial production in the world. The aim is to secure a monopoly on a specific work. This is an especially grave matter in academic publishing where small- circulation magazines do not allow their content to be quoted or published even for non-commercial purposes. The monopolists of knowledge and intellectual products cannot allow competition anywhere in the world - because theirs is a world market. A pirate in Skopje is in direct competition with Bill Gates. When selling a pirated Microsoft product - he is depriving Microsoft not only of its income, but of a client (=future income), of its monopolistic status (cheap copies can be smuggled into other markets) and of its competition-detering image (a major monopoly preserving asset). This is a threat, which Microsoft cannot tolerate. Hence its efforts to eradicate piracy - successful China and an utter failure in legally-relaxed Russia.

But what Microsoft fails to understand is that the problem lies with its pricing policy - not with the pirates. When faced with a

global marketplace, a company can adopt one of two policies: either to adjust the price of its products to a world average of purchasing power - or to use discretionary pricing. A Macedonian with an average monthly income of 160 USD clearly cannot afford to buy the Encyclopaedia Encarta Deluxe. In America, 100 USD is the income generated in average day's work. In Macedonian terms, therefore, the Encarta is 20 times more expensive. Either the price should be lowered in the Macedonian market - or an average world price should be fixed which will reflect an average global purchasing power.

Something must be done about it not only from the economic point of view. Intellectual products are very price sensitive and highly elastic. Lower prices will be more than compensated for by a much higher sales volume. There is no other way to explain the pirate industries: evidently, at the right price a lot of people are willing to buy these products. High prices are an implicit trade-off favouring small, elite, select, rich world clientele. This raises a moral issue: are the children of Macedonia less worthy of education and access to the latest in human knowledge and creation?

Two developments threaten the future of intellectual property rights. One is the Internet. Academics - fed up with the monopolistic practices of professional publications - already publish there in big numbers. I published a few book on the Internet and they can be freely downloaded by anyone who has a computer or a modem. There are electronic magazines, trade journals, billboards, professional publications, thousand of books are available full text. Hackers even made sites available from which it is possible to download whole software and multimedia products. It is very easy and cheap to publish in the Internet, the barriers to entry are virtually nil, pardon the pun. Web addresses are provided free of charge, authoring and publishing software tools are incorporated in most word processors and browser applications. As the Internet acquires more impressive sound and video capabilities it will proceed to threaten the monopoly of the record companies, the movie studios and so on.

The second development is also technological. The oft-vindicated Moore's law predicted the doubling of computer memory capacity

every 18 months. But memory is only one aspect. Another is the rapid simultaneous advance on all technological fronts. Miniaturization and concurrent empowerment of the tools available has made it possible for individuals to emulate much larger scale organizations successfully. A single person, sitting at home with 5000 USD worth of equipment can fully compete with the best products of the best printing houses anywhere. CD-ROMs can be written on, stamped and copied in house. A complete music studio with the latest in digital technology has been condensed to the dimensions of a single software. This will lead to personal publishing, personal music recording and the digitisation of plastic art. But this is only one side of the story.

The relative advantage of the intellectual property corporation was not to be found exclusively in its technological prowess. Rather it was in its vast pool of capital and its marketing clout, market positioning, sales and distribution. Nowadays, anyone can print a visually impressive book, using the above-mentioned cheap equipment. But in an age of an information glut, it is the marketing, the media campaigns, the distribution and the sales that used to determine the economic outcome.

This advantage, however, is also being eroded. First, there is a psychological shift, a reaction to the commercialisation of intellect and spirit. Creative people are repelled by what they regard as an oligarchic establishment of institutionalised, lowest common denominator art and they are fighting back. Secondly, the Internet is a huge (200 million people), truly cosmopolitan market with its own marketing channels freely available to all. Even by default, with a minimum investment, the likelihood of being seen by surprisingly large numbers of consumers is high.

I published one book the traditional way - and another on the Internet. In 30 months, I have received 2500 written responses regarding my electronic book. This means that well over 75,000 people read it (the industry average is a 3% response rate and my Link Exchange meter indicates that 160,000 people visited the site by February 2000, with well over 630,000 impressions in the last 15 months alone). It is a textbook (in psychopathology) - and 75,000



people (let alone 160,000) is a lot for this kind of publication. I am so satisfied that I am not sure that I will ever consider a traditional publisher again. Indeed, my next book is being published in the very same way.

The demise of intellectual property has lately become abundantly clear. The old intellectual property industries are fighting tooth and nail to preserve their monopolies (patents, trademarks, copyright) and their cost advantages in manufacturing and marketing.

But they are faced with three inexorable processes, which are likely to render their efforts vain:

### ***The Newspaper Packaging***

Print newspapers offer package deals of subsidized content (sold for a token amount) and subsidizing advertising. In other words, the advertisers pay for content formation and generation and the reader has no choice but be exposed to commercial messages as he or she studies the contents.

This model - adopted earlier by radio and television - rules the Internet now and will rule the wireless Internet in the future. Content will be made available free of all pecuniary charges. The consumer will pay by providing his personal data (demographic data, consumption patterns and preferences and so on) and by being exposed to advertising.

Thus, content creators will benefit only by sharing in the advertising cake. They will find it increasingly difficult to implement the old model of royalties paid for access or ownership of intellectual property. The venerable (and expensive) "Encyclopaedia Britannica" is now fully available on-line, free of charge. Its largesse is supported by advertising.

### ***Disintermediation***

A lot of ink has been spilt regarding this important trend. The removal of layers of brokering and intermediation - mainly on the manufacturing and marketing levels - is a historic development (though the continuation of a long term trend). Consider music for instance. Streaming audio on the Internet or MP3 files, which the

consumer can download will render the CD obsolete. The Internet also provides a venue for the marketing of niche products and reduces the barriers to entry previously imposed by the need to engage in costly marketing ("branding") campaigns and manufacturing activities.

This trend is also likely to restore the balance between artist and the commercial exploiters of his product. The very definition of "artist" will expand to include all creative people. Everyone will seek to distinguish oneself, to "brand" himself and to auction her services, ideas, products, designs, experience, etc. This is a return to pre-industrial times when artisans ruled the economic scene. Work stability will vanish and work mobility will increase in a landscape of shifting allegiances, head hunting, remote collaboration and similar labour market trends.

### ***Market Fragmentation***

In a fragmented market with a myriad of mutually exclusive market niches, consumer preferences and marketing and sales channels - economies of scale in manufacturing and distribution are meaningless. Narrow casting replaces broadcasting, mass customisation replaces mass production, a network of shifting affiliations replaces the rigid owned-branch system. The decentralized, intrapreneurship-based corporation is a late response to these trends. The mega-corporation of the future is more likely to act as a collective of start-ups than as a homogeneous, uniform (and, to conspiracy theorists, sinister) juggernaut it once was.

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## Scavenger Economies, Predator Economies

The national economies of the world can be divided to the scavenger and the predator types. The former are parasitic economies, which feed off the latter. The relationship is often not that of symbiosis, where two parties maintain a mutually beneficial co-existence. Here, one economy feeds off others in a way, which is harmful, even detrimental to the hosts. But this interaction - however undesirable - is the region's only hope.

The typology of scavenger economies reveals their sources of sustenance:

**Conjunctural** - These economies feed off historical or economic conjunctures or crises. They position themselves as a bridge between warring or conflicting parties. Switzerland rendered this service to Nazi Germany (1933-1945), Macedonia and Greece to Serbia (1992 to the present), Cyprus aided and abetted Russia (1987 to the present), Jordan for Iraq (1991 to the present), and now, Montenegro acts the part for both Serbia and Kosovo. These economies consist of smuggling, siege breaking, contraband, arms trade and illegal immigration. They benefit economically by violating both international and domestic laws and by providing international outcasts and rogues with alternative routes of supply, and with goods and services.

**Criminal** - These economies are infiltrated by criminal gangs or suffused with criminal behaviour. Such infiltration is two phased: the properly criminal phase and the money laundering one. In the first phase, criminal activities yield income and result in wealth accumulation. In the second one, the money thus generated is laundered and legitimised. It is invested in legal, above-board activities. The economy of the USA during the 19<sup>th</sup> century and in the

years of prohibition was partly criminal. It is reminiscent of the Russian economy in the 1990s, permeated by criminal conduct as it is. Russians often compare their stage of capitalist evolution to the American "Wild West".

***Piggyback Service economies*** - These are economies, which provide predator economies with services. These services are aimed at re-establishing economic equilibrium in the host (predator) economies. Tax shelters are a fine example of this variety. In many countries taxes are way too high and result in the misallocation of economic resources. Tax shelters offer a way of re-establishing the economic balance and re-instating a regime of efficient allocation of resources. These economies could be regarded as external appendages, shock absorbers and regulators of their host economies. They feed off market failures, market imbalances, arbitrage opportunities, shortages and inefficiencies. Many post-Communist countries have either made the provision of such services a part of their economic life or are about to do so. Free zones, off shore havens, off shore banking and transshipment ports proliferate, from Macedonia to Archangelsk.

***Aid economies*** - Economies that derive most of their vitality from aid granted them by donor countries, multilateral aid agencies and NGOs. Many of the economies in transition belong to this class. Up to 15% of their GDP is in the form of handouts, soft loans and technical assistance. Rescheduling is another species of financial subsidy and virtually all CEE countries have benefited from it. The dependence thus formed can easily deteriorate into addiction. The economic players in such economies engage mostly in lobbying and in political manoeuvring - rather than in production.

***Derivative or Satellite economies*** - These are economies, which are absolutely dependent upon or very closely correlated with other economies. This is either because they conduct most of their trade with these economies, or because they are a (marginal) member of a powerful regional club (or aspire to become one), or because they are under the economic (or geopolitical or military) umbrella of a regional power or a superpower. Another variant is the single-commodity or single-goods or single-service economies. Many

countries in Africa and many members of the OPEC oil cartel rely on a single product for their livelihood. Russia, for instance, is heavily dependent on proceeds from the sale of its energy products. Most Montenegrins derive their livelihood, directly or indirectly, from smuggling, bootlegging and illegal immigration. Drugs are a major "export" earner in Macedonia and Albania.

***Copycat economies*** - These are economies that are based on legal or (more often) illegal copying and emulation of intellectual property: patents, brand names, designs, industrial processes, other forms of innovation, copyrighted material, etc. The prime example is Japan, which constructed its whole mega-economy on these bases. Both Bulgaria and Russia are Meccas of piracy. Though prosperous for a time, these economies are dependent on and subject to the vicissitudes of business cycles. They are capital sensitive, inherently unstable and with no real long term prospects if they fail to generate their own intellectual property. They reflect the volatility of the markets for their goods and are overly exposed to trade risks, international legislation and imports. Usually, they specialize in narrow segments of manufacturing which only increases the precariousness of their situation.

The Predator Economies can also be classified:

***Generators of Intellectual Property*** - These are economies that encourage and emphasize innovation and progress. They reward innovators, entrepreneurs, non-conformism and conflict. They spew out patents, designs, brands, copyrighted material and other forms of packaged human creativity. They derive most of their income from licensing and royalties and constitute one of the engines driving globalisation. Still, these economies are too poor to support the complementary manufacturing and marketing activities. Their natural counterparts are the "Industrial Bases". Within the former Eastern Bloc, Russia, Poland, Hungary and Slovenia are, to a limited extent, such generators. Israel is such an economy in the Middle East.

***Industrial Bases*** - These are economies that make use of the intellectual property generated by the former type within industrial processes. They do not copy the intellectual property as it is.

Rather, they add to it important elements of adaptation to niche markets, image creation, market positioning, packaging, technical literature, combining it with other products or services, designing and implementing the whole production process, market (demand) creation, improvement upon the originals and value added services. These contributions are so extensive that the end products, or services can no longer to be identified with the originals, which serve as mere triggers. Again, Poland, Hungary, Slovenia (and to a lesser extent, Croatia) come to mind.

**Consumer Oriented economies** - These are Third Wave (Alvin Toffler's term), services, information and knowledge driven economies. The over-riding set of values is consumer oriented. Wealth formation and accumulation are secondary. The primary activities are concerned with fostering markets and maintaining them. These "weightless" economies concentrate on intangibles: advertising, packaging, marketing, sales promotion, education, entertainment, servicing, dissemination of information, knowledge formation, trading, trading in symbolic assets (mainly financial), spiritual pursuits, and other economic activities which enhance the consumer's welfare (pharmaceuticals, for instance). These economies are also likely to sport a largish public sector, most of it service oriented. No national economy in CEE qualifies as "Consumer Oriented", though there are pockets of consumer-oriented entrepreneurship within each one.

**The Trader economies** - These economies are equivalent to the cardiovascular system. They provide the channels through which goods and services are exchanged. They do this by trading or assuming risks, by providing physical transportation and telecommunications, and by maintaining an appropriately educated manpower to support all these activities. These economies are highly dependent on the general health of international trade. Many of the CEE economies are Trader economies. The openness ratio (trade divided by GDP) of most CEE countries is higher than the G7 countries'. Macedonia, for instance, has a GDP of 3.6 Billion US dollars and exports and imports of c. 2 billion US dollars. These are the official figures. Probably, another 0.5 billion US dollars in trade

go unreported. Additionally, it has one of the lowest weighted customs rate in the world. Openness to trade is an official policy, actively pursued.

These economies are predatory in the sense that they engage in zero-sum games. A contract gained by a Slovenian company - is a contract lost by a Croatian one. Luckily, in this last decade, the economic cake tended to grow and the sum of zero sum games was more welfare to all involved. These vibrant economies - the hope of benighted and blighted regions - are justly described as "engines" because they pull all other (scavenger) economies with them. They are not likely to do so forever. But their governments have assimilated the lessons of the 1930s. Protectionism is bad for everyone involved - especially for economic engines. Openness to trade, protection of property rights and functioning institutions increase both the number and the scope of markets.

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## Market Impeders and Market Inefficiencies

Even the most devout proponents of free marketry and hidden hand theories acknowledge the existence of market failures, market imperfections and inefficiencies in the allocation of economic resources. Some of these are the results of structural problems, others of an accumulation of historical liabilities. But, strikingly, some of the inefficiencies are the direct outcomes of the activities of "non bona fide" market participants. These "players" (individuals, corporations, even larger economic bodies, such as states) act either irrationally or egotistically (too rationally).

What characterizes all those "market impeders" is that they are value subtractors rather than value adders. Their activities generate a reduction, rather than an increase, in the total benefits (utilities) of all the other market players (themselves included). Some of them do it because they are after a self-interest, which is not economic (or, more strictly, financial). They sacrifice some economic benefits in order to satisfy that self-interest (or, else, they could never have attained these benefits, in the first place). Others refuse to accept the self-interest of other players as their limit. They try to maximize their benefits at any cost, as long as it is a cost to others. Some do so legally and some adopt shadier varieties of behaviour. And there is a group of parasites - participants in the market who feed off its very inefficiencies and imperfections and, by their very actions, enhance them. A vicious cycle ensues: the body economic gives rise to parasitic agents who thrive on its imperfections and lead to the amplification of the very impurities that they prosper on.

We can distinguish six classes of market impeders:

1. ***Crooks and other illegal operators.*** These take advantage of ignorance, superstition, greed, avarice, emotional states of



mind of their victims - to strike. They re-allocate resources from (potentially or actually) productive agents to themselves. Because they reduce the level of trust in the marketplace - they create negative added value. (See: "The Shadowy World of International Finance".)

2. ***Illegitimate operators*** include those treading the thin line between legally permissible and ethically inadmissible. They engage in petty cheating through misrepresentations, half-truths, semi-rumours and the like. They are full of pretensions to the point of becoming impostors. They are wheeler-dealers, sharp-cookies, Daymon Ranyon characters, lurking in the shadows cast by the sun of the market. Their impact is to slow down the economic process through disinformation and the resulting misallocation of resources. They are the sand in the wheels of the economic machine.
3. The ***"not serious" operators***. These are people too hesitant, or phobic to commit themselves to the assumption of any kind of risk. Risk is the coal in the various locomotives of the economy, whether local, national, or global. Risk is being assumed, traded, diversified out of, avoided, insured against. It gives rise to visions and hopes and it is the most efficient "economic natural selection" mechanism. To be a market participant one must assume risk, it in an inseparable part of economic activity. Without it the wheels of commerce and finance, investments and technological innovation will immediately grind to a halt. But many operators are so risk averse that, in effect, they increase the inefficiency of the market in order to avoid it. They act as though they are resolute, risk assuming operators. They make all the right moves, utter all the right sentences and emit the perfect noises. But when push comes to shove - they recoil, retreat, defeated before staging a fight. Thus, they waste the collective resources of all that the operators that they get involved with. They are known to endlessly review projects, often change their minds, act in fits and starts, have the wrong priorities (for an efficient economic functioning, that is), behave in a self defeating manner, be horrified by any hint

of risk, saddled and surrounded by every conceivable consultant, glutted by information. They are the stick in the spinning wheel of the modern marketplace.

4. The former kind of operators obviously has a character problem. Yet, there is a more problematic species: those suffering from *serious psychological problems*, personality disorders, clinical phobias, psychoneuroses and the like. This human aspect of the economic realm has, to the best of my knowledge, been neglected before. Enormous amounts of time, efforts, money and energy are expended by the more "normal" - because of the "less normal" and the "eccentric". These operators are likely to regard the maintaining of their internal emotional balance as paramount, far over-riding economic considerations. They will sacrifice economic advantages and benefits and adversely affect their utility outcome in the name of principles, to quell psychological tensions and pressures, as part of obsessive-compulsive rituals, to maintain a false grandiose image, to go on living in a land of fantasy, to resolve a psychodynamic conflict and, generally, to cope with personal problems which have nothing to do with the idealized rational economic player of the theories. If quantified, the amounts of resources wasted in these coping manoeuvres is, probably, mind numbing. Many deals clinched are revoked, many businesses started end, many detrimental policy decisions adopted and many potentially beneficial situations avoided because of these personal upheavals.
5. *Speculators and middlemen* are yet another species of parasites. In a theoretically totally efficient marketplace - there would have been no niche for them. They both thrive on information failures. The first kind engages in arbitrage (differences in pricing in two markets of an identical good - the result of inefficient dissemination of information) and in gambling. These are important and blessed functions in an imperfect world because they make it more perfect. The speculative activity equates prices and, therefore, sends the right signals to market operators as to how and where to most

efficiently allocate their resources. But this is the passive speculator. The "active" speculator is really a market rigger. He corners the market by the dubious virtue of his reputation and size. He influences the market (even creates it) rather than merely exploit its imperfections. Soros and Buffet have such an influence though their effect is likely to be considered beneficial by unbiased observers. Middlemen are a different story because most of them belong to the active subcategory. This means that they, on purpose, generate market inconsistencies, inefficiencies and problems - only to solve them later at a cost extracted and paid to them, the perpetrators of the problem. Leaving ethical questions aside, this is a highly wasteful process. Middlemen use privileged information and access - whereas speculators use information of a more public nature. Speculators normally work within closely monitored, full disclosure, transparent markets. Middlemen thrive of disinformation, misinformation and lack of information. Middlemen monopolize their information - speculators share it, willingly or not. The more information becomes available to more users - the greater the deterioration in the resources consumed by brokers of information. The same process will likely apply to middlemen of goods and services. We are likely to witness the death of the car dealer, the classical retail outlet, the music records shop. For that matter, inventions like the internet is likely to short-circuit the whole distribution process in a matter of a few years.

6. The last type of market impeder is well known and is the only one to have been tackled - with varying degrees of success by governments and by legislators worldwide. These are the ***trade restricting arrangements***: monopolies, cartels, trusts and other illegal organizations. Rivers of inks were spilled over forests of paper to explain the pernicious effects of these anti-competitive practices. The short and the long of it is that competition enhances and increases efficiency and that, therefore, anything that restricts competition, weakens and lessens efficiency.

What could anyone do about these inefficiencies? The world goes in circles of increasing and decreasing free marketry. The globe was a more open, competitive and, in certain respects, efficient place at the beginning of the 20<sup>th</sup> century than it is now. Capital flowed more freely and so did labour. Foreign Direct Investment was bigger. The more efficient, "friction free" the dissemination of information (the ultimate resource) - the less waste and the smaller the lebensraum for parasites. The more adherence to market, price driven, open auction based, meritocratic mechanisms - the less middlemen, speculators, bribers, monopolies, cartels and trusts. The less political involvement in the workings of the market and, in general, in what consenting adults conspire to do that is not harmful to others - the more efficient and flowing the economic ambience is likely to become.

This picture of "laissez faire, laissez aller" should be complimented by even stricter legislation coupled with effective and draconian law enforcement agents and measures. The illegal and the illegitimate should be stamped out, cruelly. Freedom to all - is also freedom from being conned or hassled. Only when the righteous freely prosper and the less righteous excessively suffer - only then will we have entered the efficient kingdom of the free market.

This still does not deal with the "not serious" and the "personality disordered". What about the inefficient havoc that they wreak? This, after all, is part of what is known, in legal parlance as: "force majeure".

#### **Note**

There is a raging debate between the "rational expectations" theory and the "prospect theory". The former - the cornerstone of rational economics - assumes that economic (human) players are rational and out to maximize their utility (see "The Happiness of Others", "The Egotistic Friend" and "The Distributive Justice of the Market"). Even ignoring the fuzzy logic behind the ill-defined philosophical term "utility" - rational economics has very little to do with real human being and a lot to do with sterile (though mildly useful) abstractions. Prospect theory builds on behavioural research in modern

psychology, which demonstrates that people are more loss averse than gain seekers (utility maximisers). Other economists have succeeded to demonstrate irrational behaviours of economic actors (heuristics, dissonances, biases, magical thinking and so on).

The apparent chasm between the rational theories (efficient markets, hidden hands and so on) and behavioural economics is the result of two philosophical fallacies which, in turn, are based on the misapplication and misinterpretation of philosophical terms.

The first fallacy is to assume that all forms of utility are reducible to one another or to money terms. Thus, the values attached to all utilities are expressed in monetary terms. This is wrong. Some people prefer leisure, or freedom, or predictability to expected money. This is the very essence of risk aversion: a trade off between the utility of predictability (absence or minimization of risk) and the expected utility of money. In other words, people have many utility functions running simultaneously - or, at best, one utility function with many variables and coefficients. This is why taxi drivers in New York cease working in a busy day, having reached a pre-determined income target: the utility function of their money equals the utility function of their leisure.

How can these coefficients (and the values of these variables) be determined? Only by engaging in extensive empirical research. There is no way for any theory or "explanation" to predict these values. We have yet to reach the stage of being able to quantify, measure and numerically predict human behaviour and personality (=the set of adaptive traits and their interactions with changing circumstances). That economics is a branch of psychology is becoming more evident by the day. It would do well to lose its mathematical pretensions and adopt the statistical methods of its humbler relative.

The second fallacy is the assumption underlying both rational and behavioural economics that human nature is an "object" to be analysed and "studied", that it is static and unchanged. But, of course, humans change inexorably. This is the only fixed feature of being human: change. Some changes are unpredictable, even in deterministic principle. Other changes are well documented. An example of the latter class of changes is the learning curve. Humans

learn and the more they learn the more they alter their behaviour. So, to obtain any meaningful data, one has to observe behaviour in time, to obtain a sequence of reactions and actions. To isolate, observe and manipulate environmental variables and study human interactions. No snapshot can approximate a video sequence where humans are concerned.

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## Public Procurement and very Private Benefits

In every national budget, there is a part called "Public Procurement". This is the portion of the budget allocated to purchasing services and goods for the various ministries, authorities and other arms of the executive branch. It was the famous management consultant, Parkinson, who once wrote that government officials are likely to approve a multi-billion dollar nuclear power plant much more speedily than they are likely to authorize a hundred dollar expenditure on a bicycle parking device. This is because everyone came across 100-dollar situations in real life - but precious few had the fortune to expend with billions of USD.

This, precisely, is the problem with public procurement: people are too acquainted with the purchased items. They tend to confuse their daily, household-type, decisions with the processes and considerations, which should permeate governmental decision-making. They label perfectly legitimate decisions as "corrupt" - and totally corrupt procedures as "legal" or merely "legitimate", because this is what was decreed by the statal mechanisms, or because "this is the law".

Procurement is divided to defence and non-defence spending. In both these categories - but, especially in the former - there are grave, well founded, concerns that things might not be all what they seem to be.

Government - from India's to Sweden's to Belgium's - fell because of procurement scandals, which involved bribes paid by manufacturers or service providers either to individual in the service of the state or to political parties. Other, lesser cases, litter the press daily. In the last few years only, the burgeoning defence sector in Israel saw two such big scandals: the developer of Israel's missiles

was involved in one (and currently is serving a jail sentence) and Israel's military attaché to Washington was implicated - though, never convicted - in yet another.

But the picture is not that grim. Most governments in the West succeeded in reigning in and fully controlling this particular budget item. In the USA, this part of the budget remained constant in the last 35 (!) years at 20% of the GDP.

There are many problems with public procurement. It is an obscure area of state activity, agreed upon in "customized" tenders and in dark rooms through a series of undisclosed agreements. At least, this is the public image of these expenditures.

The truth is completely different.

True, some ministers use public money to build their private "empires". It could be a private business empire, catering to the financial future of the minister, his cronies and his relatives. These two plagues - cronyism and nepotism - haunt public procurement. The spectre of government official using public money to benefit their political allies or their family members - haunts public imagination and provokes public indignation.

Then, there are problems of plain corruption: bribes or commissions paid to decision makers in return for winning tenders or awarding of economic benefits financed by the public money. Again, sometimes these moneys end in secret bank accounts in Switzerland or in Luxembourg. At other times, they finance political activities of political parties. This was rampantly abundant in Italy and has its place in France. The USA, which was considered to be immune from such behaviours - has proven to be less so, lately, with the Bill Clinton alleged election-financing transgressions.

But, these, with all due respect to "clean hands" operations and principles, are not the main problems of public procurement.

The first order problem is the allocation of scarce resources. In other words, prioritising. The needs are enormous and ever growing. The US government purchases hundreds of thousands of separate items from outside suppliers. Just the list of these goods - not to mention their technical specifications and the documentation, which accompanies the transactions - occupies tens of thick volumes.



Supercomputers are used to manage all these - and, even so, it is getting way out of hand. How to allocate ever-scarcer resources amongst these items is a daunting - close to impossible - task. It also, of course, has a political dimension. A procurement decision reflects a political preference and priority. But the decision itself is not always motivated by rational - let alone noble - arguments. More often, it is the by product and end result of lobbying, political hand bending and extortionist muscle. This raises a lot of hackles among those who feel that were kept out of the pork barrel. They feel underprivileged and discriminated against. They fight back and the whole system finds itself in a quagmire, a nightmare of conflicting interests. Last year, the whole budget in the USA was stuck - not approved by Congress - because of these reactions and counter-reactions.

The second problem is the supervision, auditing and control of actual spending. This has two dimensions:

1. How to make sure that the expenditures match and do not exceed the budgetary items. In some countries, this is a mere ritual formality and government departments are positively expected to overstep their procurement budgets. In others, this constitutes a criminal offence;
2. How to prevent the criminally corrupt activities that we have described above - or even the non criminal incompetent acts which government officials are prone to do.

The most widespread method is the public, competitive tender for the purchases of goods and services.

But, this is not as simple as it sounds.

Some countries publish international tenders, striving to secure the best quality in the cheapest price - no matter what is its geographical or political source. Other countries are much more protectionist (notably: Japan and France) and they publish only domestic tenders, in most cases. A domestic tender is open only to domestic bidders. Yet other countries limit participation in the tenders on various backgrounds: the size of the competing company, its track record, its ownership structure, its human rights or environmental record and so on. Some countries publish the minutes

of the tender committee (which has to explain WHY it selected this or that supplier). Others keep it a closely guarded secret ("to protect commercial interests and secrets").

But all countries state in advance that they have no obligation to accept any kind of offer - even if it is the cheapest. This is a needed provision: the cheapest is not necessarily the best. The cheapest offer could be coming from a very unreliable supplier with a bad past performance or a criminal record or from a supplier who offers goods of shoddy quality.

The tendering policy of most of the countries in the world also incorporates a second principle: that of "minimum size". The cost of running a tender is prohibitive in the cases of purchases in small amounts.

Even if there is corruption in such purchases it is bound to cause less damage to the public purse than the costs of the tender, which is supposed to prevent it!

So, in most countries, small purchases can be authorized by government officials - larger amounts go through a tedious, multi-phase tendering process. Public competitive bidding is not corruption-proof: many times officials and bidders collude and conspire to award the contract against bribes and other, non-cash, benefits. But we still know of no better way to minimize the effects of human greed.

Procurement policies, procedures and tenders are supervised by state auditing authorities. The most famous is, probably, the General Accounting Office, known by its acronym: the GAO.

It is an unrelenting, very thorough and dangerous watchdog of the administration. It is considered to be highly effective in reducing procurement - related irregularities and crimes. Another such institution is the Israeli State Reviser. What is common to both these organs of the state is that they have very broad authority. They possess (by law) judicial and criminal prosecution powers and they exercise it without any hesitation. They have the legal obligation to review the operations and financial transactions of all the other organs of the executive branch. Their teams select, each year, the organs to be reviewed and audited. They collect all pertinent

documents and correspondence. They cross the information that they receive from elsewhere. They ask very embarrassing questions and they do it under the threat of perjury prosecutions. They summon witnesses and they publish damning reports, which, in many cases, lead to criminal prosecutions.

Another form of review of public procurement is through powers granted to the legislative arm of the state (Congress, Parliament, Bundestag, or Knesset). In almost every country in the world, the elected body has its own procurement oversight committee. It supervises the expenditures of the executive branch and makes sure that they conform to the budget. The difference between such supervisory, parliamentary, bodies and their executive branch counterparts - is that they feel free to criticize public procurement not only in the context of its adherence to budget constraints or its cleanliness - but also in a political context. In other words, these committees do not limit themselves to asking HOW - but also engage in asking WHY. Why this specific expense in this given time and location - and not that expense, somewhere else or some other time. These elected bodies feel at liberty - and often do - intervene in the very decision making process and in the order of priorities. They have the propensity to alter both quite often.

The most famous such committee is, arguably, the Congressional Budget Office (CBO). It is famous because it is non-partisan and technocratic in nature. It is really made of experts, which staff its offices.

Its apparent - and real - neutrality makes its judgements and recommendations a commandment not to be avoided and, almost universally, to be obeyed. The CBO operates for and on behalf of the American Congress and is, really, the research arm of that venerable parliament. In parallel, the executive part of the American system - the Administration - has its own guard against waste and worse: the Office of Management and Budget (OMB).

Both bodies produce learned, thickset, analyses, reports, criticism, opinions and recommendations. Despite quite a prodigious annual output of verbiage - they are so highly regarded, that

virtually anything that they say (or write) is minutely analysed and implemented to the last letter with an air of awe.

Only a few other parliaments have committees that carry such weight. The Israeli Knesset has the extremely powerful Finance Committee, which is in charge of all matters financial, from appropriations to procurement. Another parliament renowned for its tight scrutiny is the French Parliament - though it retains very few real powers.

But not all countries chose the option of legislative supervision. Some of them relegated parts or all of these functions to the executive arm.

In Japan, the Ministry of Finance still scrutinizes (and has to authorize) the smallest expense, using an army of clerks. These clerks became so powerful that they have the theoretical potential to secure and extort benefits stemming from the very position that they hold. Many of them suspiciously join companies and organizations, which they supervised or to which they awarded contracts - immediately after they leave their previous, government positions. The Ministry of Finance is subject to a major reform in the reform-bent government of Prime Minister Hashimoto. The Japanese establishment finally realized that too much supervision, control, auditing and prosecution powers might be a Pyrrhic victory: it might encourage corruption - rather than discourage it.

Britain opted to keep the discretion to use public funds and the clout that comes with it in the hands of the political level. This is a lot like the relationship between the butter and the cat left to guard it. Still, this idiosyncratic British arrangement works surprisingly well. All public procurement and expenditure items are approved by the EDX Committee of the British Cabinet (=inner, influential, circle of government), which is headed by the Ministry of Finance. Even this did not prove enough to restrain the appetites of Ministers, especially as quid pro quo deals quickly developed. So, now the word is that the new Labour Prime Minister will chair it - enabling him to exert his personal authority on matters of public money.

Britain, under the previous, Tory, government also pioneered an interesting and controversial incentive system for its public servants

as top government officials are euphemistically called there. They receive, added to their salaries, a portion of the savings that they affect in their departmental budgets. This means that they get a small fraction of the end of the fiscal year difference between their budget allowances and what they actually spent. This is very useful in certain segments of government activity - but could prove very problematic in others. Imagine health officials saving on medicines, or others saving on road maintenance or educational consumables. This, naturally, will not do.

Needless to say that no country officially approves of the payment of bribes or commission to officials in charge of public spending, however remote the connection is between the payment and the actions.

Yet, law aside many countries accept the intertwining of elites - business and political - as a fact of life, albeit a sad one. Many judicial systems in the world even make a difference between a payment, which is not connected to an identifiable or discernible benefit, and those that are. The latter - and only the latter - are labelled "bribery".

Where there is money - there is wrongdoing. Humans are humans - and sometimes not even that.

But these unfortunate derivatives of social activity can be minimized by the adoption of clear procurement policies, transparent and public decision making processes and the right mix of supervision, auditing and prosecution. Even then the result is bound to be dubious, at best.

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## Liquidity or Liquidation

Large parts of the world today suffer from a severe liquidity crisis. The famed globalisation of the capital markets seems to confine itself, ever more, to the richer parts, the more liquid exchanges, and the more affluent geopolitical neighbourhoods. The fad of "emerging economies" has all but died out. Try telling the Macedonians about global capital markets: last year, the whole world invested 8 million USD in their poor country. Breadwinners earn 300 DM a month on average. Officially, in excess of one third of the workforce is unemployed. Small wonder that people do not pay their bills, employers do not pay salaries, the banking system has a marked tendency to crash every now and then and the average real default rate is 50%.

Illiquidity erodes the trust between the economic players. Such trust is a precondition to the existence of a thriving, modern economy. We all postpone the gratification of our desires: we save now and consume later, for instance or we sell goods or services and get paid a month later. Such postponement of gratification is at the heart of the economic machine of the new age. It cannot be achieved, however, if the players do not trust each other to fulfil their promises (to pay, for example). Alternatively, the state can instate an efficient court system, aided by active law enforcement agencies. Keeping promises can be imposed to counter the natural tendency to ignore them.

The countries in transition lack both: liquidity necessary to keep one's monetary word and the legal system to force him to do so if he reneges. Small wonder that solutions are actively being sought by all involved: the business community, the state, the courts and even by consumers.

In this article, we will describe a few of the global trends. The trends are global, the reaction is world-wide because the problem is global. Bouncing checks have become a household reality in places as rich as Israel, for instance. The mounting crisis in Southeast Asia foreshadows bankruptcies and delinquencies on a chilling scale.

The simplest method is to revert to a cash economy. Payments are accepted only in cash. This, naturally, slows the velocity of money-like products and diminishes their preponderance, obstructing the expansion of economic activity. An even more malignant variant is the barter economy. Goods and services are swapped on a no-cash basis. It is money that generates new value added (by facilitating the introduction of new technology, to mention but one function). In the absence of money, the economy stagnates, degenerates and, finally, collapses because of massive mismatches of supply and demand aggregates and of the types of goods and services on offer and demanded. Still, this system has the advantages of keeping the economic patient alive even following a massive liquidity haemorrhage. In the absence of barter economy, the economy might have ground to a complete halt and deteriorated to subsistence agriculture. But barter is like chemotherapy: it is good for a limited period of time and the side effects are, at times, worse than the disease.

In many countries (Georgia, to mention one) defaults are prevented by demanding prepayment for projected consumption. Let us take the consumption of electricity as an example: many heavy users and numerous households do not pay their bills at all. To disconnect the electricity is an effective punitive measure but it costs the electricity company a lot of money. The solution? Programmable Electronic Meters. The consumers buy a smart card (very similar to phone-cards). The card allows the buyer to use a certain amount of prepaid electricity and is rechargeable. The consumer pays in advance, electricity is not wasted, the electricity company is happy, the tariffs go down for all the users. Prepayment does have a contracting effect on the demand and usage of electricity - but this is welcome. It just means that people use electricity more efficiently.

A totally different tack is the verification approach. The person making the payment carries with him a card that confirms that he is creditworthy and will honour his obligations. Otherwise, the card also serves as an insurance policy: an entity, not connected to the transaction, guarantees the payment for a fee. This entity is financially viable and strong enough to be fully trusted by the recipient of the payment.

This market in credit guarantees is more developed in the USA (where credit cards have overtaken cash and personal checks as a mode of payment) than in Western Europe. But even in Europe there are credit card equivalents which are very widespread: the Eurocheck card, for instance, is really a credit card, though it usually comes with physical checks and guarantees only a limited amount. One must differentiate the functions of a debit card (with direct and immediate billing of a bank account following a transaction) from those of a credit card. The latter allows for the billing of the account to take place in a given day during the month following the month in which the transaction was effected or converts the payment into a series of instalments (within the credit limits of the cardholder as approved by his bank). But in both cases, the guarantee is there and is the most predominant feature of the system. Such cards seem like a perfect solution but they are not: the commissions charged by the card issuers are outrageous. Between 2 and 10 percent of the payment made go to the pockets of the card issuers. Cards get stolen, forged, lost, abused by their owners, expire. But with the advent of new technologies all these problems should be solved. Electronic POS (point of sale) cash registers, connected through networks of communication, check the card and verify its data: is it valid, is it presented by the lawful owner, was it stolen or lost, is the purchase within the limits of the approved credit and so on. Then, the billing proceeds automatically. Such devices will virtually eliminate fraud. The credit card companies will guarantee the payments, which will be subject to residual crime.

Another fast developing solution is the smart card. These are cards similar to phone cards and they can be charged with money in the bank or through automatic teller machines. These cards (in wide use



in Belgium, Austria, Germany and many other countries) contain an amount of money, which is deducted from the cardholders account. The account is billed for every recharge. The card is the electronic (and smart) equivalent of cash and it can be read (=debited) by special teller machines in numerous businesses. When payment is made, the money stored in the card is reduced and the recipient of the payment stores the payment on magnetic media for later delivery to his bank (and crediting of his account).

A more primitive version exists in many countries in Eastern Europe: depositors receive checks exactly corresponding to the amount of money deposited in their account. These checks are as safe as the banks that issued them because they are fully convertible to cash. They are, really, paper "smart cards".

Credit cards and (more cheaply) smart cards are a way to restore confidence to a shattered, illiquid economy. Macedonia should consider them both seriously and encourage them through the appropriate legislation and assistance of the state. For Macedonia, the choice is to be liquid or, God forbid, to economically self-liquidate.

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## The Predicament of the Newly Rich

They are the objects of thinly disguised envy. They are the raw materials of vulgar jokes and the targets of popular aggression. They are the Newly Rich. Perhaps they should be dealt with more appropriately within the academic discipline of psychology, but then economics in a branch of psychology. To many, they represent a psychopathology or a sociopathology.

The Newly Rich are not a new phenomenon. Every generation has them. They are the upstarts, those who seek to undermine the existing elite, to replace it and, ultimately to join it. Indeed, the Newly Rich can be classified in accordance with their relations with the well-entrenched Old Rich. Every society has its veteran, venerable and aristocratic social classes. In most cases, there was a strong correlation between wealth and social standing. Until the beginning of this century, only property owners could vote and thus participate in the political process. The land gentry secured military and political positions for its off spring, no matter how ill equipped they were to deal with the responsibilities thrust upon them. The privileged access and the insider's mentality ("old boys network" to use a famous British expression) made sure that economic benefits were not spread evenly. This skewed distribution, in turn, served to perpetuate the advantages of the ruling classes.

Only when wealth was detached from the land, was this solidarity broken. Land - being a scarce, non-reproducible resource - fostered a scarce, non-reproducible social elite. Money, on the other hand, could be multiplied, replicated, redistributed, reshuffled, made and lost. It was democratic in the truest sense of a word, otherwise worn thin. With meritocracy in the ascendance, aristocracy was in descent. People made money because they were clever, daring,

fortunate, and visionary - but not because they were born to the right family or married into one. Money, the greatest of social equalizers, wedded the old elite. Blood mixed and social classes were thus blurred. The aristocracy of capital (and, later, of entrepreneurship) - to which anyone with the right qualifications could belong - trounced the aristocracy of blood and heritage. For some, this was a sad moment. For others, a triumphant one.

The New Rich chose one of three paths: subversion, revolution and emulation. All three modes of reaction were the results of envy, a sense of inferiority and rage at being discriminated against and humiliated.

Some New Rich chose to undermine the existing order. This was perceived by them to be an inevitable, gradual, slow and "historically sanctioned" process. The transfer of wealth (and the power associated with it) from one elite to another constituted the subversive element. The ideological shift (to meritocracy and democracy or to mass-democracy as y Gasset would have put it) served to justify the historical process and put it in context. The successes of the new elite, as a class, and of its members, individually, served to prove the "justice" behind the tectonic shift. Social institutions and mores were adapted to reflect the preferences, inclinations, values, goals and worldview of the new elite. This approach - infinitesimal, graduated, cautious, all accommodating but also inexorable and all pervasive - characterizes Capitalism. The Capitalist Religion, with its temples (shopping malls and banks), clergy (bankers, financiers, bureaucrats) and rituals - was created by the New Rich. It had multiple aims: to bestow some divine or historic importance and meaning upon processes, which might have otherwise been perceived as chaotic or threatening. To serve as an ideology in the Althusserian sense (hiding the discordant, the disagreeable and the ugly while accentuating the concordant, conformist and appealing). To provide a historical process framework, to prevent feelings of aimlessness and vacuity, to motivate its adherents and to perpetuate itself and so on.

The second type of New Rich (also known as "Nomenclature" in certain regions of the world) chose to violently and irreversibly

uproot and then eradicate the old elite. This was usually done by use of brute force coated with a thin layer of incongruent ideology. The aim was to immediately inherit the wealth and power accumulated by generations of elitist rule. There was a declared intention of an egalitarian redistribution of wealth and assets. But reality was different: a small group - the new elite - scooped up most of the spoils. It amounted to a surgical replacement of one hermetic elite by another. Nothing changed, just the personal identities. A curious dichotomy has formed between the part of the ideology, which dealt with the historical process - and the other part, which elucidated the methods to be employed to facilitate the transfer of wealth and its redistribution. While the first was deterministic, long-term and irreversible (and, therefore, not very pragmatic) - the second was an almost undisguised recipe for pillage and looting of other people's property. Communism and the Eastern European (and, to a lesser extent, the Central European) versions of Socialism suffered from this inherent poisonous seed of deceit. So did Fascism. It is no wonder that these two sister ideologies fought it out in the first half of the twentieth century. Both prescribed the unabashed, unmitigated, unrestrained, forced transfer of wealth from one elite to another. The proletariat enjoyed almost none of the loot.

The third way was that of emulation. The Newly Rich, who chose to adopt it, tried to assimilate the worldview, the values and the behaviour patterns of their predecessors. They walked the same, talked the same, clad themselves in the same fashion, bought the same status symbols, and ate the same food. In general, they looked as pale imitations of the real thing. In the process, they became more catholic than the Pope, more Old Rich than the Old Rich. They exaggerated gestures and mannerisms, they transformed refined and delicate art to kitsch, their speech became hyperbole, their social associations dictated by ridiculously rigid codes of propriety and conduct. As in similar psychological situations, patricide and matricide followed. The Newly Rich rebelled against what they perceived to be the tyranny of a dying class. They butchered their objects of emulation - sometimes, physically. Realizing their inability to be what they always aspired to be, the Newly Rich switched from

frustration and permanent humiliation to aggression, violence and abuse. These new converts turned against the founders of their newly found religion with the rage and conviction reserved to true but disappointed believers.

Regardless of the method of inheritance adopted by the New Rich, all of them share some common characteristics. Psychologists know that money is a love substitute. People accumulate it as a way to compensate themselves for past hurts and deficiencies. They attach great emotional significance to the amount and availability of their money. They regress: they play with toys (fancy cars, watches, laptops). They fight over property, territory and privileges in a Jungian archetypal manner. Perhaps this is the most important lesson of all: the New Rich are children, aspiring to become adults. Having been deprived of love and possessions in their childhood - they turn to money and to what it can buy as a (albeit poor because never fulfilling) substitute. And as children are - they can be cruel, insensitive, and unable to delay the satisfaction of their urges and desires. In many countries (the emerging markets) they are the only capitalists to be found. There, they spun off a malignant, pathological, form of crony capitalism. As time passes, these immature New Rich will become tomorrow's Old Rich and a new class will emerge, the New Rich of the future. This is the only hope - however inadequate and meagre - that developing countries have.

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## The Solow Paradox

### *The Productive Hardware*

The world is debating the Solow Paradox. Named after the Nobel laureate in economics, it was stated by him thus: "*You can see the computer age everywhere these days, except in the productivity statistics.*" The venerable economic magazine, "The Economist" in its issue dated July 24th, quotes the no less venerable Professor Robert Gordon ("one of America's leading authorities on productivity") - p.20: "*...the productivity performance of the manufacturing sector of the United States economy since 1995 has been abysmal rather than admirable. Not only has productivity growth in non-durable manufacturing **decelerated** in 1995-9 compared to 1972-95, but productivity growth in durable manufacturing stripped of computers has **decelerated even more.***"

What should be held true - the hype or the dismal statistics? The answer to this question is of crucial importance to economies in transition. If investment in IT (information technology) actually RETARDS growth - then it should be avoided, at least until a functioning marketplace is there to counter its growth suppressing effects.

The notion that IT retards growth is counter-intuitive. It would seem that, at the least, computers allow us to do more of the same things faster. Typing, order processing, inventory management, production processes, number crunching are all managed more efficiently by computers. Added efficiency should translate into enhanced productivity. Put simply, the same number of people can do more, faster, more cheaply with computers than they can without them. Yet reality begs to differ.

Two elements are often neglected in considering the beneficial effects of IT.

The first is that the concept of information technology comprises two very distinct economic activities: an all-purpose machine (the PC) and its enabling applications and a medium (the internet). Capital assets as distinct from media assets are governed by different economic principles, should be managed differently and be the subject of different philosophical points of view.

Massive, double digit increases in productivity are feasible in the manufacturing of computer hardware. The inevitable outcome is an exponential explosion in computing and networking power. The dual rules which govern IT - Moore's (a doubling of chip capacity and computing prowess every 18 months) and Metcalf's (the exponential increase in a network's processing ability as more computers connect to it) - also dictate a breathtaking pace of increased productivity in the hardware cum software aspect of IT. This has been duly detected by Robert Gordon in his "Has the 'New Economy' rendered the productivity slowdown obsolete?"

But for this increased productivity to trickle down to the rest of the economy a few conditions have to be met.

The transition from old technologies to a new one (the computer renders many a technology obsolete) must not involve too much "creative destruction". The costs of getting rid of old hardware, software, of altering management techniques or adopting new ones, of shedding redundant manpower, of searching for new employees to replace the unqualified or unqualifiable, of installing new hardware, software and of training new people in all levels of the corporation are enormous. They must never exceed the added benefits of the newly introduced technology in the long run. Hence the crux of the debate. Is IT more expensive to introduce, run and maintain than the technologies that it so confidently aims to replace? Will new technologies be spun off the core IT in a pace sufficient to compensate for the disappearance of old ones? As the technology matures, will it overcome its childhood maladies (lack of operational reliability, bad design, non-specificity, immaturity of the first

generation of computer users, absence of user friendliness and so on)?

Moreover, is IT an evolution or a veritable revolution? Does it merely allow us to do more of the same only in a different way - or does it open up hitherto unheard of vistas for human imagination and creativity? The signals are mixed. IT did NOT succeed to do to human endeavour what electricity, the internal combustion engine or even the telegraph have done. It is also not clear at all that IT is a UNIVERSAL phenomenon suitable to all climes and mentalities. The penetration of both IT and the medium it gave rise to (the internet) is not uniform throughout the world even where the purchasing power is similar and even among the corporate class. Countries post communism should take all this into consideration. Their economies may be too obsolete and hidebound, poor and badly managed to absorb yet another critical change in the form of IT. The introduction of IT into an ill-prepared market or corporation can be and often is counter-productive and growth-retarding.

### ***The Cycle of the Internet***

Then, of course, there is the Internet.

The Internet runs on computers but it is related to them in the same way that a TV show is related to a TV set. To bundle two, as is often done today, obscures the true picture and can often be very misleading. For instance: it is close to impossible to measure productivity in the services sector, let alone something as wildly informal and dynamic as the internet. It is clear by now that the Internet is a medium and, as such, is subject to the evolutionary cycle of its predecessors. Central and Eastern Europe has just entered this cycle while the USA is the most advanced.

The Internet is simply the latest in a series of networks, which revolutionized our lives. A century before the Internet, the telegraph and the telephone have been similarly heralded as "global" and transforming.

So, what should the CEE countries expect to happen to the Internet globally and, later, within their own territories? The issue



here cannot be cast in terms of productivity. It is better to apply to it the imagery of the business cycle.

As we said, every medium of communications goes through the same evolutionary cycle:

It starts with Anarchy - or The Public Phase.

At this stage, the medium and the resources attached to it are very cheap, accessible, under no regulatory constraints. The public sector steps in: higher education institutions, religious institutions, government, not for profit organizations, non-governmental organizations (NGOs), trade unions, etc. Bedevilled by limited financial resources, they regard the new medium as a cost effective way of disseminating their messages.

The Internet was not exempt from this phase, which is at its death throes. It started with a complete computer anarchy manifested in ad hoc networks, local networks, networks of organizations (mainly universities and organs of the government such as DARPA, a part of the defence establishment, in the USA). Non-commercial entities jumped on the bandwagon and started sewing these networks together (an activity fully subsidized by government funds). The result was a globe-encompassing network of academic institutions. The American Pentagon established the network of all networks, the ARPANET. Other government departments joined the fray, headed by the National Science Foundation (NSF) which withdrew only lately from the Internet.

The Internet (with a different name) became public property - with access granted to the chosen few.

Radio took precisely this course. Radio transmissions started in the USA in 1920. Those were anarchic broadcasts with no discernible regularity. Non commercial organizations and not for profit organizations began their own broadcasts and even created radio broadcasting infrastructure (albeit of the cheap and local kind) dedicated to their audiences. Trade unions, certain educational institutions and religious groups commenced "public radio" broadcasts.

This is followed by the Commercial Phase.

When the users (e.g., listeners in the case of the radio, or owners of PCs and modems in the example of the Internet) reach a critical mass - the business sector is alerted. In the name of capitalist ideology (another religion, really) it demands "privatisation" of the medium. This harps on very sensitive strings in every Western soul: the efficient allocation of resources which is the result of competition; corruption and inefficiency which are naturally associated with the public sector ("Other People's Money" - OPM); the ulterior motives of members of the ruling political echelons (the infamous American Paranoia); a lack of variety and of catering to the tastes and interests of certain audiences; the equation private enterprise = democracy and more.

The end result is the same: the private sector takes over the medium from "below" (makes offers to the owners or operators of the medium - that they cannot possibly refuse) - or from "above" (successful lobbying in the corridors of power leads to the appropriate legislation and the medium is "privatised").

Every privatisation - especially that of a medium - provokes public opposition. There are (usually founded) suspicions that the interests of the public were compromised and sacrificed on the altar of commercialisation and rating. Fears of monopolization and cartelisation of the medium are evoked - and justified, in due time. Otherwise, there is fear of the concentration of control of the medium in a few hands. All these things do happen - but the pace is so slow that the initial fears are forgotten and public attention reverts to fresher issues.

A new Communications Act was legislated in the USA in 1934. It was meant to transform radio frequencies into a national resource to be sold to the private sector, which will use it to transmit radio signals to receivers. In other words: the radio was passed on to private and commercial hands. Public radio was doomed to be marginalized.

The American administration withdrew from its last major involvement in the Internet in April 1995, when the NSF ceased to finance some of the networks and, thus, privatised its hitherto heavy involvement in the net.

A new Communications Act was legislated in 1996. It permitted "organized anarchy". It allowed media operators to invade each other's territories.

Phone companies will be allowed to transmit video and cable companies will be allowed to transmit telephony, for instance. This is all phased over a long period of time - still, it is a revolution whose magnitude is difficult to gauge and whose consequences defy imagination. It carries an equally momentous price tag - official censorship. "Voluntary censorship", to be sure, somewhat toothless standardization and enforcement authorities, to be sure - still, a censorship with its own institutions to boot. The private sector reacted by threatening litigation - but, beneath the surface it is caving in to pressure and temptation, constructing its own censorship codes both in the cable and in the internet media.

The third phase is Institutionalisation.

It is characterized by enhanced activities of legislation. Legislators, on all levels, discover the medium and lurch at it passionately. Resources, which were considered "free", suddenly are transformed to "national treasures not to be dispensed with cheaply, casually and with frivolity".

It is conceivable that certain parts of the Internet will be "nationalized" (for instance, in the form of a licensing requirement) and tendered to the private sector. Legislation will be enacted which will deal with permitted and disallowed content (obscenity? incitement? racial or gender bias?).

No medium in the USA (not to mention the wide world) has eschewed such legislation. There are sure to be demands to allocate time (or space, or software, or content, or hardware, or bandwidth) to "minorities", to "public affairs", to "community business". This is a tax that the business sector will have to pay to fend off the eager legislator and his nuisance value.

All this is bound to lead to a monopolization of hosts and servers. The important broadcast channels will diminish in number and be subjected to severe content restrictions. Sites, which will not succumb to these requirements - will be deleted or neutralized.

Content guidelines (euphemism for censorship) exist, even as we write, in all major content providers (CompuServe, AOL, Prodigy).

The last, determining, phase is The Bloodbath.

This is the phase of consolidation. The number of players is severely reduced. The number of browser types will be limited to 2-3 (Netscape, Microsoft and which else?). Networks will merge to form privately owned mega-networks. Servers will merge to form hyper-servers run on supercomputers. The number of ISPs will be considerably diminished.

50 companies ruled the greater part of the media markets in the USA in 1983. The number in 1995 was 18. At the end of the century they will number 6.

This is the stage when companies - fighting for financial survival - strive to acquire as many users/listeners/viewers as possible. The programming is shallowed to the lowest (and widest) common denominator. Shallow programming dominates as long as the bloodbath proceeds.

In hindsight, 20 years hence, we might come to understand that computers improved our capacity to do things differently and more productively. But one thing is fast becoming clear. The added benefits of IT are highly sensitive to and dependent upon historical, psychosocial and economic parameters outside the perimeter of the technology itself. When it is introduced, how it is introduced, for which purposes is it put to use and even by who it was introduced - largely determine the costs of its introduction and, therefore, its feasibility and contribution to the enhancement of productivity. The CEE countries better take note.

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in "Central Europe Review" volume 1, issue 7)*

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## EPILOGUE

The Balkans, an eternal crossroad of different civilizations and cultures even today, is considered to be the "navel of the world" or as Sam Vaknin puts it in his erratic, eruptive, intellectual volcano of a book, "After the Rain - How the West Lost the East" - "is the unconscious of the world" ("The Mind of Darkness") or worse, probably a navel, but "the Balkan is a body without a brain" ("Homo Balkanus").

There are a few other, similarly neuralgic points on Earth, but what distinguishes the Balkans from the rest is that it is precisely via its central part - Macedonia - that Christianity and modern literacy invaded Europe. The Byzantine civilization - traceable in today's Balkans as a junction of the Hellenic spirit and the wisdom of Byzantium, deeply rooted in the cultures of Babylon and the old Mesopotamian civilizations - is still of high interest to modern scholars of the Balkans.

Dr. Sam Vaknin is one of these contemporary detectors of the "transitions" in the East, who is trying to discover, understand and direct the Balkans and the East through his publicist work. In his book "After the Rain - How the West Lost the East", Dr. Sam Vaknin is a sincere investigator of the "Homo Balkanus", of the Easterner, his mind, culture and way of living, defining him "a full fledged narcissist". Immediately after that, in "The Magla Vocables" he says that even linguistically "it is impossible to really understand an Easterner", mocking or more precisely reaching the level of real offence in portraying the image of the intellectuals of the East ("The Poets and Eclipse").

Reading this large book of essays, however, one should bear in mind that the author is limited by the clichés of his framework of

values and thinking given to him by the culture and system of rules from which he originated. Thus, his articles are provocative, turbulent, irritating, revolting. The impact of his writing is terrible with the strength of hurricane. His word often kill, his defeatism nullifies. Sometimes pretentious, still "After the Rain" represents a serious, lucid and transcendent effort to make the Balkan closer, to introduce the East to the West, ignoring for a moment the pessimistic assertion that the West already lost the East.

But if this were right, it would have meant that the West is lost, had disappeared in the East. The truth is completely the opposite: The West has yet to find the East. The East, which provided the foundation of contemporary Western civilization, literacy and Christianity, still hibernates within its traditional values as an essential element of the endurance of the people and perhaps as the unique salvation of mankind. The West has to burst into the wisdom of the East to keep the very roots of life, the wisdom to live in peace and in harmony with God and with nature. If this should not happen, we will all finish like in Aldous Huxley's "Brave New World".

Consequently, when reading these essays, it will not be asking for much to have a dose of restraint towards Dr. Vaknin's sometimes lethal "absolute truths" regarding the Balkans and the East. After you finish reading this book, you can find out not only what the East is - but also what the East is, indeed, not. This is because Dr. Vaknin observes the Balkan and the East only from the dark side, regarding its people as zombies who do not have any idea at all why they are walking on this Earth. Unfortunately for him, life, neither in the Balkans in particular, nor in the East in general, is a pathology as he enjoys saying. That is why some of his articles contain an overly heavy-handed personal touch, momentary sensations and impressions too strong, amounting to exaggeration, or, in other words, he puts things headlong.

In "The MinMaj Rule" his paranoiac fear of the "nation-state" can be felt. His perversity reaches a climax when he finds a justification for the West and its three months long NATO bombing of Yugoslavia (an act without precedent in modern history, which indeed resulted in the same pitiless kind of bombing in Chechnya) and in the

acknowledgment that for the Albanian residents of Kosovo "it has not protected their right to self-determination".

Dr. Vaknin likes to see the state as "a community, a majority of minorities united by common rules, beliefs and aspirations ... no longer utopian, it is a realistic model to emulate". In "Herzl's Butlers", he even goes further and in the modern nation state he sees "a reflection of something more primordial, of human nature itself as it resonated in the national founding myths (most of them fictitious or contrived)". Still, he is sufficiently honest to admit that "the Jews (and Germans) came up with the 'objective', 'genetic', 'racial' and 'organic' nation". Indeed, through the periodically harsh critique of the West's actions in the East, transferring into its body Western malignant cells of mafia, drugs, organized crime, corruption etc., the careful reader will discover the glorification of the subjugation of the East by the West.

Dr. Sam Vaknin is not the first one to try to put all the books which deal with the so called "world conspiracy" in the domain of illusion or man's gullibility ("The Elders of Zion"). That was done before in a fine literary manner mixed with factography by another Jew (by father), the writer Danilo Kish from ex-Yugoslavia, in his novel "A Book about Kings and Fools". But if Danilo Kish was exploring the world archives to prove that it is only by coincidence or through an accidental knot of circumstance that "the book of Nillus" about a "world conspiracy" was created, thus far Dr. Vaknin is not only mocking the intellectuals and ordinary mortals of the East, but he humiliatingly attributes the existence of that "conspiracy" to the "paranoiac and schizoid nature" of their minds.

It is interesting that the author uses a tour of the abundant history of the region just to explain the "darkness" of today's. Or, without necessity and astonishingly, he is giving a huge treatment only to the idea of the - in essence illusory and never existing - "Great Albania", adapting history for his own needs. He even smoothly, in only few lines, gives "the definite historical truths" about the Illyrians and their descendents, a subject on which historians composed large tomes and which they investigated all their lives and about which they still have dilemmas.

Finally, where does Dr. Vaknin think that the West lost the East? Is it on its way from Babylon towards some new "promised lands"? Or, is it maybe - After the Rain - in a Biblical flood?

Although both in the West as well as in the East, it is precisely the Jewish version of the Bible out of the thirteen existing ones that is the dominant (a version which is rather a copy of the prehistoric Bible text of the Sumerians from Mesopotamia) - nevertheless God promised himself: "Never again will I curse the ground because of man, however evil his inclinations may be from his youth upwards" and God said: "This is the sign of the covenant which I establish between myself and you and every living creature with you, to endless generations:

My bow I set in the cloud,  
Sign of the covenant  
Between myself and earth.  
When I cloud the sky over the earth,  
The bow shall be seen in the cloud.

Then will I remember the covenant which I have made between myself and you and living things of every kind. Never again shall the waters become a flood to destroy all living creatures. The bow shall be in the cloud; when I see it, it will remind me of the everlasting covenant between God and living things on earth of every kind."

In the Balkans, all things aside, this blessing of God - the bow - can be often felt and enjoyed. Or as one of our proverbs says - After the Rain always cometh the Sun!

*Emilija Geleva*

Skopje, February 2000

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# THE AUTHOR

SHMUEL (SAM) VAKNIN

## Curriculum Vitae

Born in 1961 in Qiryat-Yam, Israel.

### Education

Graduated a few semesters in the Technion - Israel Institute of Technology, Haifa.

Ph.D. in Philosophy (major: Philosophy of Physics) - Pacific Western University, California, USA.

Graduate of numerous courses in Finance Theory and International Trading.

Certified E-Commerce Concepts Analyst.

Certified in Psychological Counselling Techniques.

Full proficiency in Hebrew and in English.

### Business Experience

#### *1980 to 1983*

Founder and co-owner of a chain of computerised information kiosks in Tel-Aviv, Israel.

#### *1982 to 1985*

Senior positions with the Nessim D. Gaon Group of Companies in Geneva, Paris and New-York (NOGA and APROFIM SA):

- Chief Analyst of Edible Commodities in the Group's Headquarters in Switzerland
- Manager of the Research and Analysis Division

- Manager of the Data Processing Division
- Project Manager of the Nigerian Computerised Census
- Vice President in charge of RND and Advanced Technologies
- Vice President in charge of Sovereign Debt Financing

**1985 to 1986**

Represented Canadian Venture Capital Funds in Israel.

**1986 to 1987**

General Manager of IPE Ltd. in London. The firm financed international multi-lateral counter-trade and leasing transactions.

**1988 to 1990**

Co-founder and Director of "Mikbats-Tesuah", a portfolio management firm based in Tel-Aviv.

Activities included large-scale portfolio management, underwriting, forex trading and general financial advisory services.

**1990 to Present**

Free-lance consultant to many of Israel's Blue-Chip firms, mainly on issues related to the capital markets in Israel, Canada, the UK and the USA.

Consultant to foreign RND ventures and to Governments on macro-economic matters.

President of the Israel chapter of the Professors World Peace Academy (PWPA) and (briefly) Israel representative of the "Washington Times".

**1993 to 1994**

Co-owner and Director of many business enterprises:

- The Omega and Energy Air-Conditioning Concern
- AVP Financial Consultants
- Handiman Legal Services - Total annual turnover of the group: 10 million USD.

Co-owner, Director and Finance Manager of COSTI Ltd. - Israel's largest computerised information vendor and developer.

Raised funds through a series of private placements locally, in the USA, Canada and London.

**1995 on**

Publisher and Editor of a Capital Markets Newsletter distributed by subscription only to dozens of subscribers countrywide.

In a legal precedent - studied in business schools and law faculties across Israel - was tried for his role in an attempted take-over of Israel's Agriculture Bank.

Was interned in the State School of Prison Wardens.

Managed the Central School Library, wrote, published and lectured on various occasions.

Managed the Internet and International News Department of an Israeli mass media group, "Ha-Tikshoret and Namer".

Assistant in the Law Faculty in Tel-Aviv University (to Prof. S.G. Shoham).

**1996 to 1999**

Financial consultant to leading businesses in Macedonia, Russia and the Czech Republic.

Collaborated with the Agency of Transformation of Business with Social Capital.

Economic commentator in "Nova Makedonija", "Dnevnik", "Makedonija Denes", "Izvestia", "Argumenti i Fakti", "The Middle East Times", "The New Presence", "Central Europe Review", other periodicals and in the economic programs on various channels of Macedonian Television.

Chief Lecturer in courses organised by the Agency of Transformation, by the Macedonian Stock Exchange and Ministry of Trade.

**1999 to Present**

Economic Advisor to the Government of the Republic of Macedonia.

**Web Activities**

Author of extensive web sites in:

Psychology ("Malignant Self Love") - An Open Directory Cool Site, Philosophy ("Philosophical Musings"), Economics and Geopolitics ("After the Rain").

Owner of the Narcissism Revisited Announcement and Study List (more than 830 members) and the After the Rain CEE and Balkans Announcement and Study List.

Editor of mental health disorders and Central and Eastern Europe categories in web directories (Open Directory, Suite 101, Go.com, Search Europe).

Weekly columnist in "The New Presence" and "Central Europe Review".

#### **Publications and Awards**

"Managing Investment Portfolios in States of Uncertainty", Limon Publishers, 1988;

"The Gambling Industry", Limon Publishers, 1990;

"Requesting my Loved One - Short Stories", Yedioth Aharonot, 1997;

"The Macedonian Economy at a Crossroads - On the Way to a Healthier Economy", (Dialogues with Mr. Nikola Gruevski), 1998;

"Malignant Self Love - Narcissism Revisited", Narcissus Publications, 1999;

"The Exporters' Pocketbook", Ministry of Trade, Republic of Macedonia, 1999;

"The Suffering of Being Kafka" (electronic book of Hebrew Short Fiction);

"After the Rain - How the West Lost the East", Narcissus Publications in association with Central Europe Review / CEENMI, 2000.

Winner of numerous awards, among them the Israeli Education Ministry Prize (Literature) - 1997, The Rotary Club Award for Social Studies - 1976, and the Bilateral Relations Studies Award of the American Embassy in Israel - 1978.

Hundreds of professional articles in all fields of finances and the economy.

Numerous articles dealing with geopolitical and political economic issues.

Many appearances in the electronic media on subjects in philosophy and the sciences and concerning economic matters.

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#### **My Web Sites:**

*Economy / Politics:*

<http://samvak.tripod.com/guide.html>

*Psychology:*

<http://samvak.tripod.com/index.html>

*Philosophy:*

<http://samvak.tripod.com/culture.html>

*Poetry:*

<http://samvak.tripod.com/contents.html>

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# *After the Rain*

*How the West  
Lost the East*

## **The Book**

This is a series of articles written and published in 1996-2000 in Macedonia, in Russia, in Egypt and in the Czech Republic.

How the West lost the East. The economics, the politics, the geopolitics, the conspiracies, the corruption, the old and the new, the plough and the internet - it is all here, in colourful and provocative prose.

From "The Mind of Darkness":

"'The Balkans' - I say - 'is the unconscious of the world'. People stop to digest this metaphor and then they nod enthusiastically. It is here that the repressed memories of history, its traumas and fears and images reside. It is here that the psychodynamics of humanity - the tectonic clash between Rome and Byzantium, West and East, Judeo-Christianity and Islam - is still easily discernible. We are seated at a New Year's dining table, loaded with a roasted pig and exotic salads. I, the Jew, only half foreign to this cradle of Slavonics. Four Serbs, five Macedonians. It is in the Balkans that all ethnic distinctions fail and it is here that they prevail anachronistically and atavistically. Contradiction and change the only two fixtures of this tormented region. The women of the Balkan - buried under provocative mask-like make up, retro hairstyles and too narrow dresses. The men, clad in sepia colours, old fashioned suits and turn of the century moustaches. In the background there is the crying game that is Balkanian music: liturgy and folk and elegy combined. The smells are heavy with muskular perfumes. It is like time travel. It is like revisiting one's childhood."

## **The Author**

Sam Vaknin was born in Israel in 1961. A financial consultant and columnist, he lived and published in 11 countries. An author of short stories, the winner of many literary awards, an amateur philosopher - he is a controversial figure. This is his tenth book.