

ECONOMY AND FINANCE

# LEFT OF RIGHT AND RIGHT OF LEFT

Since when do political parties no longer consider it necessary to show voters what, how and why in the field of economy?

**Svetlana Cenić**  
Decembar 2020.



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## INTRODUCTION

The pandemic caused by the SARS-CoV-2 virus has forced us to grapple with the issue of economic management and the question of what is to be done, i.e., whether the measures taken so far are adequate. At the same time, it has compelled us to reexamine previous solutions and how they were reached, especially as we marked the 25<sup>th</sup> anniversary of the signing of the Dayton Peace Agreement.

The visions and the ideas proposed should, supposedly, differ depending on whether they are being proposed by the left or the right, i.e., by left-leaning or right-leaning political parties, because economics as a social science is particularly tied to a specific value system.

The left is associated with a set of values, including freedom, equality, fraternity, rights, progress, reform, and internationalism, while the right is associated with authority, hierarchy, order, responsibility, tradition, reactionary politics, and nationalism. In the decades following the Second World War, the left/right binary was systematically made meaningless by communist parties that adopted the “left” label and denied the leftist character of social democratic parties in the West.

By the beginning of the 21<sup>st</sup> century, the left/right dichotomy had survived, albeit in a less pronounced form as there is a lot of overlap in the programs and policies of left and right parties. What remains of this dichotomy is that parties on the left place the strengthening of the state sector at the center of their programs, while a typical feature of the programs of parties on the right is a law-and-order philosophy, i.e., the protection of the existing hierarchy. The left/right dichotomy is an analytical instrument for expressing different views on issues arising from the gap between labor and capital (the role of the state in the economy, support for the unemployed and the socially disadvantaged, tax policy, housing policy, etc.), which is a key contemporary political question in the majority of modern, developed and democratic nations.

But what is the left in Bosnia and Herzegovina? And what is the right? Or, as some parties call themselves, what are the center, center-right and center-left? Also, has political orientation influenced the conduct of economic policy since 1996 until the present day, and if so, in what way? Does a domestic economic strategy even exist or are all reforms and all strategies the products of wisdom and pressure from the outside, most often as preconditions for obtaining a loan? Is there any difference between the left, the right and the center? In other words, when it comes to economic ideology: Is the left really the left? Where is the center? And what does the right look like?

We should keep in mind that in post-communist countries, after the fall of the Berlin Wall, the programmatic diversity of political parties was limited by, among other things, the influence of the international environment, primarily the economically and politically dominant countries and their financial and economic organizations.

Assistance to governments of post-communist countries (regardless of their ideological leanings) is conditioned by a strict adherence to a predetermined inflation rate, wage growth, levels of external and internal debt, the obligation to privatize certain sectors and to reduce subsidies to public companies, etc. Under such circumstances, the differences between parties lie less and less in ideology and more and more in the efficiency with which they implement essentially identical policies, as this text shows using the example of Bosnia and Herzegovina by chronologically addressing post-election coalitions. Economic reforms are led and guided from the outside, conditioned by or under pressure from the Office of the High Representative, the International Monetary Fund and its supporting financial institutions, as well as the process of joining the European Union. Another conclusion: periods during which the political subjects in power cooperated were marked by greater socio-economic security, instead of nationalist rhetoric and divisions being in the foreground. But this has not been the case in Bosnia and Herzegovina since 2006.

Between 1989 and 1990, under the onslaught of neoliberal reforms by Ante Marković’s government, over a thousand companies went bankrupt. Industrial production fell by approximately 20%, which was accompanied by a decline of 7.7% in the gross domestic product (GDP) in 1990 and an additional decline of 11.7% in 1991. In 1989, a new Law on Enterprises was passed which equalized social, state and private property for the first time since 1945. The following year, the first law on privatization was adopted in the Yugoslav federation and in 1991, each of the republics introduced its own laws on privatization. After a steep decline, in 1998 Slovenia was the first to regain the GDP level from 1989 (which was the breaking point), while Bosnia and Herzegovina has not yet reached the 1989 GDP level.

## POST-DAYTON BOSNIA AND HERZEGOVINA

At the first multi-party elections in 1990, the nationalist parties—the Party of Democratic Action (SDA), the Serb Democratic Party (SDS), and the Croatian Democratic Union of Bosnia and Herzegovina (HDZ BiH)—won convincingly. It is interesting to look at the program orientations from their official documents.

At its seventh party congress, held on September 14, 2019, the Party of Democratic Action (SDA) confirmed its “position as a Bosnian-Herzegovinian people’s party of the political center.” In its Statute of April 29, 2019, the Croatian Democratic Union (HDZ) states that, “(1) HDZ BiH is a people’s party that brings together all classes of the Croat people and other citizens of Bosnia and Herzegovina and whose program is based on the principles of democracy and Christian civilization, as well as other traditional values of the Croat people. (2) HDZ BiH is a social party because it represents the interests of all social classes. (3) HDZ BiH is a party open to members of all peoples and national minorities who accept its Program and Statute.”

The SDS Program states, “The Serb Democratic Party is a party of the democratic center because it includes the centrist political affiliations of the middle class, the vast majority of the people, i.e., all the political affiliations that remain outside the extreme left and right. In terms of its national program, the nature of property and ownership, economic organization, the role of the individual in shaping his or her destiny, the Serb Democratic Party follows the orientation of those European and world parties that can be described as center-right parties, while in terms of social solidarity and caring for the poor and helpless, it follows the tradition of parties that hold to social justice. The social aspect of the party does not come from an inclination towards the left but from solidarity derived from the Orthodox Christian tradition and the idea of showing kindness and care for one’s neighbor.”

So, “center,” “center-right,” “social,” “people’s”— whatever that essentially means, because to this day we have seen only nationalist rhetoric and very little “kindness and care for one’s neighbor,” “representing the interests of all social classes” or a truly “people’s party.”

When voters need to be motivated, it is easiest to avoid deep-seated economic problems and to rely on fear, with nationalism as the dominant form of political tribalism. In any country, nationalism is a “political technology” that is used by the political elite to ensure its privileges, i.e., to remain in power. It takes much less knowledge and expertise to appeal to national homogenization, unity or a threat from “the other” than to develop economic concepts, strategies and solutions and to actually engage with issues of poverty, social risk, new technologies or sustainable growth. Facts don’t matter; what matters is what side you’re on.

After the first multi-party elections and after the war, there were changes on the political scene with many new parties being formed and others disappearing, while SDA and HDZ BiH survived and retained their influence and SDS became much weaker.

How did we reach the point where political parties no longer think it is necessary to show voters what, how and why they plan to do in terms of the economy?

To date, the High Representatives of the international community in BiH have imposed 899 decisions that have influenced the political, social and living conditions in Bosnia and Herzegovina. Carl Bildt, the first High Representative and the European Union Special Representative to Bosnia and Herzegovina (as the full title reads), did not have the Bonn powers. The Spanish diplomat, Carlos Westendorp, was the second High Representative, serving from April 1997 to July 1999, and he was the first to use the Bonn powers.

Of the imposed decisions, 60% were related to reforming and strengthening the entity structures, while only 40% were related to capacity building and the functions of the state.

The Bonn powers were a catalyst for reform programs because there was an enormous amount of fear among the political elites that they would be removed from political office or would even be banned from holding public office.

Without continued pressure, the politicians did not continue working for change, especially not on major reform issues or against their own interests, which is a mix of politics, business, and criminality. For reforms to be real and lasting, politicians would have to work within a structure that insists on transparency and accountability. So where are the left and the right in that case?

Valantin Inzko, who was named High Representative in March 2009, has issued 79 decisions over the course of eleven years. The majority of these decisions (52) concerned the lifting of bans imposed on individuals in BiH by previous High Representatives. In only two cases, Inzko issued a decision to remove someone from office. Unlike his predecessors, he did not issue any decisions related to the media. He interfered very minimally in the economy (two decisions) and in legal reforms (three decisions), obviously leaving these areas to international financial institutions. The majority of the High Representative’s decisions, twelve of them, concerned state-level issues.

It is somewhat understandable that immediately after the Dayton Peace Agreement, establishing economic institutions and regulating the market necessitated the intervention of the Office of the High Representative because the warring sides had to be brought to the table in order to find a way to establish the most important institutions. However, the High Representative for Bosnia and Herzegovina primarily took on the role of the executive—his decrees have to be carried out immediately and unconditionally.

In 1996, 1997, 1998, and 2000, elections were conducted under the OSCE Provisional Election Commission Rules and Regulations. The Election Law entered into force on September 28, 2001.

At the first elections, the nationalist parties (SDS, SDA, HDZ) won, but in the 2000 elections, the Social Democratic Party of BiH (SDP) won the most seats, followed by SDA and SDS. A candidate from the Alliance for Change, of which SDP was a member, was appointed Chairman of the Council of Ministers. During that period, sessions were frequent, the agenda was extensive, many laws were adopted, and consent was given for the ratification of several agreements and international treaties and conventions. During 2001, the High Representative still imposed decisions but to a much lesser extent. In 2001, he imposed a total of five decisions related to the field of economics.

During this period, the more favorable socio-economic picture was the result of the fact that sessions of both houses of the parliamentary assembly were not marked by interethnic setbacks and obstructions and there was more widespread cooperation.

From April 4 to October 21, 2002, the High Representative issued fifteen decisions.

The elections held in the fall of 2002 resulted in a slightly different picture: SDA won ten seats in the House of Representatives, the Party for Bosnia and Herzegovina (SBiH) won six seats, SDS and the HDZ-Demochristians coalition won five seats each. SDP won four seats. Three SNSD candidates were elected, while PDP won two seats. One seat each was secured by NHI, DNZBiH, Ekonomski Blok HDU-Za boljitak [Economic Bloc "Croat Democratic Union for Prosperity"], BOSS, SPUBiH, SPRS, and SRSRS. At the fifth session of the House of Representatives, held on December 23, 2002, Adnan Terzić (SDA) was named Chairman of the Council of Ministers of BiH.

A feature of this period was an extremely active parliamentary assembly and their activities included, in addition to passing numerous laws, defense reform with the adoption of the Law on Defense of Bosnia and Herzegovina in late 2003, the adoption of the Compliance Statement by Bosnia and Herzegovina for the Feasibility Study to initiate negotiations on the Stabilization and Association Agreement with the European Union, decisions on adopting the Agreement on Restructuring of Police Structures in Bosnia and Herzegovina, as well as an attempt at constitutional reform at the end of April (April package of constitutional amendments), preceded by an agreement between six political parties (SDA, SDPBiH, SDS, HDZ, SNSD, and PDP) signed on March 18.

It is interesting to note that during this period the entity governments and the Council of Ministers were headed by prime ministers from the people's parties, i.e., the nationalist parties (SDA for the Council of Ministers and the FBiH Government, while the RS Government was headed by PDP and later SDS and from March 2006 by SNSD). This coincides with Paddy Ashdown's mandate as High Representative (2002-2006). In other words, the right becomes reformist when, on the one hand, it fears dismissal or being banned from public office, and on the other hand, because of initiatives by international organizations in combination with the powers of the High Representative, which was shown to be the case in the post-2006 period.

After the elections held in early October 2006, SDA won nine seats in the House of Representatives, while SBiH won eight seats. SNSD had the best results in the election in Republika Srpska, winning seven seats.

SDP won five seats, while three seats went to HDZ-Croatian Coalition-HNZ. SDS won the same number of seats. Two candidates were elected from the "Hrvatsko zajedništvo" [Croats Together] list (HDZ 1990 HZ-HSS HKDU-Demochristians), while the following parties won one seat each: PDP, DNZBiH, Narodna stranka Radom za boljitak [People's Party Work for Prosperity], DNS, and BPS.

The signing of the Stabilization and Association Agreement with the European Union was the most important and practically the only positive result during that period.

The SNSD completely changed its rhetoric and, after coming to power again, took over the nationalist rhetoric of the SDS. In the period between 2006 (when Milorad Dodik became Prime Minister of Republika Srpska again) and 2015, Dodik announced over thirty referendums, whether on the independence of Republika Srpska, the Court of Bosnia and Herzegovina, or joining NATO. At the SNSD congress, held on April 26, 2015, he announced a referendum on independence to be held in 2018, if the competencies prescribed by the Dayton Peace Agreement and the BiH Constitution to Republika Srpska were not returned.

Since then, the dominant policy on the scene has been "one step forward, two steps back," while crisis and obstruction have become a way of life in BiH.

The results of the 2010 general elections, which were held on October 3 of that year, confirmed the dominance of SNSD in Republika Srpska, while SDP did surprisingly well in FBiH. The biggest loser was SBiH, so that SDA saw a new coalition partner in SDP.

In the period from February 1, 2012 until August 31, 2014, the Council of Ministers of BiH was reconstituted as many as three times.

The mandate of this Council of Ministers was far more unsuccessful than had been the case with previous convocations.

The 2014 general elections were held on October 12. Although they won a larger number of seats, SNSD did not enter this convocation of the Council of Ministers. Everything was done to avoid their participation in the government at the state level because of their constant obstructions and their blocking of state institutions, as well as their inflammatory rhetoric. The members of the Council of Ministers were from SDA, the Alliance for Change (SzP - SDS, PDP, NDP), DF and HDZ.

The results achieved in terms of legislative activities were significantly worse compared to the results from the previous two terms.

The 2018 general elections were held on October 7, and SDA and SNSD were the political parties that received the largest number of votes. It wasn't until December 23, 2019 that the new Council of Ministers was confirmed, because two members of the Presidency, Komšić and Džaferović, placed as a precondition prior consent to the NATO Membership Action Plan (MAP), which the third member of the Presidency and the President of SNSD had kept refusing to do for over a year.

Like the Dayton Peace Agreement, the European path is there to be used, abused and to serve as an excuse. Typical examples were the Reform Agenda and the increase in levies on petroleum products. Nobody asks about the left or the right.

A similar thing is happening with arrangements with the International Monetary Fund (IMF). Out of a total of six arrangements so far (negotiations are underway for the

seventh), only the first and second arrangements have been implemented in full, meaning that the conditions from the letter of intent have been fulfilled, i.e., the undertaken reform obligations have been executed. As of 2009, the arrangement is signed, several tranches are received, and then the arrangement is stopped when the time for fulfillment of the conditions comes.

## LESSONS AND CHALLENGES

In their programs and statutes, all the political parties analyzed in this text commit to a market economy and advocate for direct foreign investment and an open market. In this, there is no difference between them. Political parties that call themselves a people's party also talk about equality or the fight against inequality.

What is "social democracy"? In Republika Srpska, the strongest political party, which has the "social democrat" label in its name, is anything but social democrat in character. It cooperates with the international far-right and with the greatest populists (such as the Austrian far-right FPÖ party, the Northern League in Italy, etc.)

For the majority of today's social democrat parties, including SDP BiH, it remains unclear what the term "social democrat" refers to and one gets the sense that the label is purely a matter of tradition. It often comes down to trying to win over some part of the voting public who are still wedded to that idea. Unfortunately, we do not know whether the public that favors social democracy even votes, given that turnout is at best at 50-60%.

In today's social democrat parties, we will not find anyone who disputes privatization as a concept, everyone is declaratively in favor of economic reforms and unconditional cooperation with Western countries, and there is an absolute commitment to Euro-Atlantic integrations.

None of the self-declared leftist political parties, including the social democrats, have challenged the concept of coalition agreements, according to which the division of power includes the division of positions at all levels, including in state and public companies. Coalition hypocrisy has dominated as the main principle for action.

For the average voter, it is difficult to differentiate on the basis of economic policies between the liberals and the social democrats, and even between the left and the right. Military issues come down to a policy of cooperation with NATO, financial policy and economic initiatives come from Brussels, the IMF, and other international financial institutions, while industrial policies and investment in research and development are nonexistent and not a priority for anyone. Usually, it all comes down to whether there will be any direct foreign investment or not. Public administration, whether it calls itself the left or the right, is left with the task of being a good or a bad accountant. And for years it has been a very bad accountant.

Native Americans have a saying that we do not inherit the land from our ancestors but rather borrow it from our children.

From all of the above, it is clear that Euro-Atlantic integrations are not a strong enough driver for the political parties in power. Citizens with economically left or culturally right leanings vote less frequently and are less satisfied with politics because no viable party does a good job of representing their views on the economy or on culture. The parties, in turn, have incentives to move in the direction of these voters to attract their votes and they combine their policy proposals with a populist tone that appeals to the political dissatisfaction of these citizens, which is a challenge for representative democracy.

Economic development is affected by the double dynamics of growing social inequality on the one hand and deepening environmental degradation on the other, while the short-term interests of the political elite in their decision-making differ from the long-term interests of society as a whole. The economy of tomorrow will have to be distributive and regenerative in its strategies. This is a challenge for both the left and the right, as well as for international institutions, from the EU to the IMF, when they come up with reform proposals.

Together with Albania, BiH is the poorest country in Europe. Actual individual consumer spending is at only 42% of the EU average, while gross domestic product per capita (GDP per capita) is 32% of the EU average. The deterioration of the environment, especially air quality, is a serious problem. There are no official data on the number of people leaving Bosnia and Herzegovina every year. The Agency for Statistics of BiH will start monitoring such data only in 2020. According to data from the Union for Sustainable Return in BiH, from 2013 to January 2020, about 200 000 people left the country, and in 2019 alone, 60 000 people left the country.

Although the relationship between inequality and economic growth is not entirely clear, recent research shows that countries with high levels of inequality and with increasing inequality tend to grow at a slower rate than those with lower inequality.

Rethinking the economy does not mean finding the correct one, because this does not exist, but rather choosing or creating the one that best serves our purposes, reflecting the context we find ourselves in, the values we hold, and the goals we have. Today, we mostly talk about the growth of the economy as an imperative, regardless of whether this makes our lives better and improves the quality of life. What is needed in BiH, but also in the whole world, is an economy that makes us better, that improves the quality of life, regardless of whether it is growing or not.

First, activities must be in the service of human prosperity. Second, the autonomy of the community must be respected by ensuring its engagement and agreement, despite

all the inequalities and differences within the community. Third, caution is needed in policymaking in order to minimize the risk of harm, especially in terms of introducing uncertainty for the most vulnerable. Fourth, there must be full transparency in presenting the model, while recognizing alternative economic perspectives and tools.

Finally, a message for both the left and the right, and also for international institutions and organizations in BiH: Do not wait for economic growth to reduce inequality, because it will not. Instead, create an economy that is distributive by design!

## ABOUT THE AUTOR

**Svetlana Cenic** is as she says, an economist by conviction and commitment. She graduated from the Faculty of Economics in Sarajevo. She completed her postgraduate studies abroad. She worked in foreign trade, as a consultant to several domestic and foreign companies, as an advisor to the President of the Republika Srpska, and was the Minister of Finance in the RS Government. She taught a group of subjects at private faculties in Banja Luka. She has been cooperating for years with non-governmental organizations and the economy. She lives and works in Sarajevo.

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Bosnia and Herzegovina were handed the Questionnaire of the European Commission on December 9, 2016, and on March 4, 2019, submitted answers to additional questions, which means that the process lasted more than two years.

Further information related to this topic, please find at:

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