Slovenia was once perceived as a role model for the rest of the Eastern European countries in terms of the political and economic transition from market socialism to a steadily growing welfare capitalism. However, back in 2008, when the global crisis struck the European Union, Slovenia was amongst the countries that were hit the hardest. With the contraction of GDP by 7.8% in 2009, stagnation over the next two years, and a further downturn with 2.3% decline in 2012, Slovenia’s economy has started falling behind the European average.

Unfortunately, the biggest economic downturn in the Eurozone is not the only concern that is troubling Slovenia. Even though its debt is still a modest 54% of GDP, it has rapidly increased from just 22% in 2008. The sudden accumulation of debt and capital inadequacy of publicly owned banks, in combination with strong pressure from speculative investors, is the main reason why the country needs another 3 billion euros just to get through the year. It is the major reason why Slovenia is nowadays commonly being increasingly referred to as the next Euro country in line for a bailout. In order to get a clear view of the current situation in Slovenia and its most likely future, we must however first take a look at the country’s economic policies before the crisis. After 12 years of almost uninterrupted rule by social liberals, which upon Slovenia’s accession to the European Union (EU) opened the markets to foreign investors and started a gradual process of privatization, the center right coalition led the Slovenian Democratic Party won their first four-year term in 2004. The new government continued with the implementation of European fiscal and monetary policies as part of the conditions for joining the Eurozone in 2007. It also continued with privatization efforts; most of the assets were sold to executive officers and managers of formerly state-owned companies.

Another turning point in the 2004-2008 term was the excessive increase in levels of private debt in the public banking sector. Loans of non-financial companies increased by 149% and the external banking debt increased by 283%. During this period, banks overconfidently approved loans to private investors with poor collateral, and the biggest
construction companies in the country made cartel agreements that increased the costs of national road building programme by a third. The resulting overheating of the economy, with 7% GDP growth, was a short-lived story of success, which greatly contributed to the extent of the banking crisis that Slovenia is facing today.

When the global economic crisis struck in 2008, Slovenians elected a center-left coalition led by Social Democrats. After having implemented such social policies as an increase in gross minimum wage (from 597 to 734 euros), the new government quickly shifted towards austerity by freezing wages and deregulating the labor market. At the same time, the government had to face a surge of companies going bankrupt, leaving behind thousands of unemployed and also a couple of billions of euros of unpaid debt. The government faced these challenges by lowering social welfare transactions and covering the unpaid debt by recapitalizing the publicly owned banks. Later on, however, reforms making work more precarious, pension reform, and a tightened legislation on undeclared work met fierce opposition from unions and citizens, who rejected the proposed legislation in a series of referendums. In the fall of 2011, the impeached center-left coalition left office with the banking sector in need of another huge dose of recapitalization, a budget deficit of 5.8%, a nearly tripled public debt, more than 250,000 people living below poverty threshold, and the first speculations that Slovenia might be the next country in line for bailout.

It may have seemed that ensuing elections could bring about a serious shift towards more radical alternatives, but this was not the case. The former center-right coalition took advantage of poor economic indicators, emphasizing the incompetence of the center-left, while the center-left had one last card to play—the popular mayor of Ljubljana, Zoran Janković. Less than two months before the elections, the mayor formed a new center-left party—Positive Slovenia, which became a convergence zone for the failed politicians of the former center-left coalition. With populist promises of 4% GDP growth, increase of public spending for science and education, and employee participation in profit distribution, the renewed center-left won the elections, but it could not form a majority coalition, leaving it to the center-right led by the Slovenian Democratic Party. The new government hastily started implementing a series of austerity measure packages—namely, reducing pensions and wages of public employees, reducing public spending for education, research and culture, increasing fuel and alcoholic beverage taxes, whilst, at the same time recapitalizing the public banking sector once more as well as reducing the capital gains tax and corporate taxes.

Small wonder that the government’s measures, resulting in rising unemployment (back to the levels from 1999), significant shrinkage of GDP, and rising levels of poverty were met with popular outrage. Numerous suspicions of corruption and finally a scandalous installation of numerous radar guns in the second largest town, Maribor, was a spark that ignited a series of anti-establishment rallies across the country in late 2012, reaching its peak on February 8, 2013 with over 20,000 people gathering in Ljubljana.

However, one should not overemphasize the effectiveness of the protests. The ideological orientation, ranging from targeting the moral responsibility of individuals to appealing to a consistent rule of law, indicates that even though the majority is dissatisfied, it lacks a consistent critique and analysis of the situation. It seems that decades of capitalist ideology, either in its welfare or its neoliberal form, interwoven with populist
simplifications, have deeply penetrated the spontaneous imagination of the people. That is why a common perception at the beginning of the protests was one of subjectivization, according to which one can deconstruct the situation into specific problems, for which certain people should be held responsible and then also solve them as such. This was manifested in the case of Prime Minister Janez Janša, whose indictment for corruption in January unified the protesters.

In the later phase of the protests, we have, fortunately, noticed an ever more prevailing formation of thorough political and economic critique. Independent groups of mostly young people, such as The Workers and Punks’ University, the students’ group Iskra and the Direct Democracy Now, have started to analyze openly the crisis as an inherent structural anomaly of capitalism, with only a few specific characteristics that could feasibly be attributed to individuals. Among the plurality of demands, an appeal for a radical transformation in the form of democratic socialism was one of the most resonating ideas. From this point of view, the protests have been a very welcome process in which one does not only expresses one’s dissatisfaction, desires and willingness, but also, and, more importantly, reforms oneself as a political subject.

Unlike the majority of protests abroad, whose demands were mostly unsuccessful, the Slovenian protests definitely contributed to the impeachment of Janša’s government, carried out by his former coalition partners. On the other hand, the parliament did not fulfill protesters’ demands for immediate elections, but rather put together a coalition of center and center left parties in March this year.

The new government, led by Positive Slovenia’s Alenka Bratušek, immediately switched its political stance. The party used to be the biggest critic of severe austerity, especially of the bad bank program that plans to finalize the socialization of the bankrupt private companies’ debts—and then sell the state-owned banks at a symbolic price. Just a few weeks after being elected, Prime Minister Bratušek firmly embraced austerity as the government’s only program, “promising” further cuts in wages, more eager privatization, a likely reduction of medicare funding, tax increases and a probable introduction of tuition fees. Although the new Prime Minister is trying to please the financial markets with ongoing declarations of ambitious austerity, they do not seem to be responding, with the spread on Slovenia’s 10-year bonds still above 6.4%.

As the country faces serious liquidity troubles and a deepening recession, Slovenia’s government is confident enough to push the same economic policies that would have been forced upon the country in the event of the troika’s bailout intervention. With the profitability rate still well below the European average, industry in ruins, and the quality of public services still significantly above the average in the European periphery, the problems for the Slovenian people seem to have only begun. Will the country pursue the policies that have brutally affected so many in Greece, Spain and Portugal, yet failed to yield results?

For the time being, a decline in the numbers of protesters seems to indicate a general contentment with the overthrowing of Janša’s government. According to the policies of the new government, which is continuing the work of the previous one, we can say for sure that this calm is not going to last long. With no alternatives in sight amongst
established political elites, the focus of the people should be shifted to the Left, where, after twenty years of disillusionment, talk of socialism is no longer perceived as heresy.

Aljoša Slameršak is a member of the Slovenian Initiative for Democratic Socialism