
VALUE CRISIS OF GOVERNMENT MEASURES IN TIMES OF INSTABILITY THE CASE OF SLOVENIA

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Abstract

In time of crisis, the role of a government is more obvious than ever. The current economic crisis is bringing up many questions about the role of the state. It is more than obvious that the recent economic crisis is not purely economic but more so moral, a true crisis of the liberal capitalism ideology. Consequently, political systems supporting predominant economic principles of consumer society are facing crisis. This crisis is in fact crisis of their own legitimacy, which is often taken away already before next election. In this manner, governments need to balance on one hand, the predominant demands for savings and slim state, and on the other, the citizens' needs for minimal security. The article discusses this bias in the case of Slovenia, one of most contradictory countries within the European Union. Due to political decisions combined with the economic situation, the general welfare in Slovenia dropped significantly. The author questions the political decisions that were made in Slovenia in recent years and their impact on the general well-being of population.

Keywords: value crisis, liberalism, Slovenia, government, politics

1. Introduction

After independence, Slovenia based its constitutional development on two traditions, as it claims to be a democratic republic based on rule of law and as social state (articles 1 and 2, Constitution of the Republic of Slovenia). Furthermore, article 34 of the Slovenian Constitution guarantees the right to personal dignity and security [1]. These are the legal-philosophical bases of this article that should be tested according to the government/political behaviour in the time of economic crisis in Slovenia, since 2008. Despite there are many additional articles of Slovenian Constitution dealing with citizens rights, we will concentrate only on these five constitutional principles, namely: democracy, rule of law, welfare, and protection of individuals' dignity and security of individual.

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Being a small state that escaped 45 years of enactment of communist political doctrine, Slovenia changed course without additional time and willingness to think about further direction of development. Representative democracy based on rule of law and market economy was considered a logical choice. However, Slovenia was not able or pressed to turn away completely from its past [2]. Due to a relatively positive economic base, there was a relatively weak international influence over the economic reform. Complete privatisation was not an option, just as revolutionary change in understanding liberal capitalism or political lustration was not. In 1990s, Slovenia was strongly focussed on entering the European Union, and every single reform was trying to please European accession conditions. In some aspects, these conditions were directed to higher degree of market liberalization as well as towards the minimization of the state. After entering the European Union in 2004, Slovenia lost its long term direction in development. If before, every reform was accepted as necessary for entering the society of developed and democratic countries, there was no strategic long term goal for the future. At least it seemed so until 2008 when the economic crisis hit the world and ended the era of relative prosperity of Western civilization. In 2004, the anti-communist movement of 'spring parties', composed of Slovenian peoples' party (SLS), Slovenian social-democratic party (SDS) and Christian-democratic party of Slovenia (NSi) gained power [3]. Initially, it looked like the end of a long term political cycle of transition, replacing twelve years of reformed communist rule and transition period. However, the new government did not do anything noticeable and it was mainly interested in ruling and changing the direction from state directed market economy towards absolute privatization and liberalization, and political subordination of different key institutions. Although already in 2007 (the year before the next parliamentary election), the Governor of the Bank of Slovenia warned against a possible economic instability because of initial signals from the American economy, the government ignored him, continued the politics of discrediting past political activities and failed to prepare any plans for the future [4]. Because of this behaviour, Slovenia encountered its first economic problems, and in 2008, the government lost the parliamentary elections. In the new context, it was again a centre left party structure, rooted in reformed communist parties, that was called to form a government. However, the latter was equally unprepared to face economic crisis and it felt apart only one year before the regular parliamentary elections. Early elections in 2011 brought back the 'spring coalition'. It continued the 2004-2008 reform program, yet again, being more interested in making political appointments of the 'right people' to the 'right positions' than in dealing with the problem of state's crisis [5; <http://www.dnevnik.si/slovenija/v-ospredju/politico-kadrovanje-ima-ceno-vec-kot-pol-milijona-evrov-na-leto->]. Leaving the ideological problems aside, one can argue that between 2007 and 2013, Slovenia had too many problems keeping the government in order, then focusing on improving the economic situation.

After aforementioned general description of the situation, we shall try to answer important question, what is the real issue behind the economic crisis in Slovenia. First we would like to prove that economic crisis is an important element, what will be done by short description of current trends in Slovenia. Second, we attempt to comprehend the background of the problems and open the floor for a more theoretical/philosophical debate about the background of the economic crisis in Slovenia. The government (mainly the right centre ‘spring coalition’, and less so, the left-centre “reformed communist” parties) argued that one of the problem was that the Slovenian citizens had unrealistic expectations towards the nature of the welfare state and that they expected a socialist type of welfare, where everything - from health-care to education services – would be ‘free’. Citizens, on the other hand, opposed the general decrease in welfare and social security (especially in the current situation).

2. Trends of quality of life in Slovenia

In order to understand the quality of life in Slovenia we need to point towards its basic characteristics and changes in the past few years. With almost 60.000 unemployed people in Slovenia in 2008 (4.4% according to ILO), the current unemployment is of 125.000 working active people (over 10% according to ILO) [Statistical Office of Republic of Slovenia, www.stat.si, accessed on 14.3.2013]. At the same time, the risk of being under poverty threshold rose from about 13% to almost 20% in last few years [www.stat.si]. The current threshold of poverty is at 7.199 Euro (net) per year [600 Euro (net) per month, after tax deduction]. The average net salary in January 2013 was 998 Euro and about 65% of workers had less than the average salary [www.stat.si]. Another point in this current revenues and poverty issue is that the government imposes personal income tax of 16% to everyone whose yearly net salary was less than 7.840 Euro yearly. If the net salary was situated between 7.840 and 15.681 Euro, the individual has to pay 1.254 Euro + 27% of the sum earned above 7.840 Euro. In the situation when an individual earned more than 15.681 Euro he/she would owe the state 3.371 Euro + 41% of the sum earned above 15.681 Euro [Tax Office of the Republic of Slovenia, www.durs.gov.si, accessed on 14.3.2013].

This data can be interpreted differently. We are aware that there are countries where the quality of life is much lower. But from the perspective of continuity of the standard of living conditions one can say that social and economic situation significantly worsened in last few years in Slovenia. In order to present the situation more clearly and show the general trends in the socio-economic situation in Slovenia in past 10-13 years, we selected several general indicators (as presented below).

Figure 1 shows a general decreasing trend for the GDP growth rate in Slovenia, unable to recover after the shock of 2009. That was due to a combination of economic and political factors. The lack of government preparedness caused a strong economic recession; a relatively slow improvement of the situation began once the government started its new economic policy. One

can also blame politics for the long-term recession trend which began in 2011. When the governing coalition collapsed, it was only in early 2012 when the election and government change procedures began. However, the new government was not able change the trend into a steady growth, as it also collapsed in early 2013. At the same time it seems that even reform measures that were taken for the economic stabilization failed.

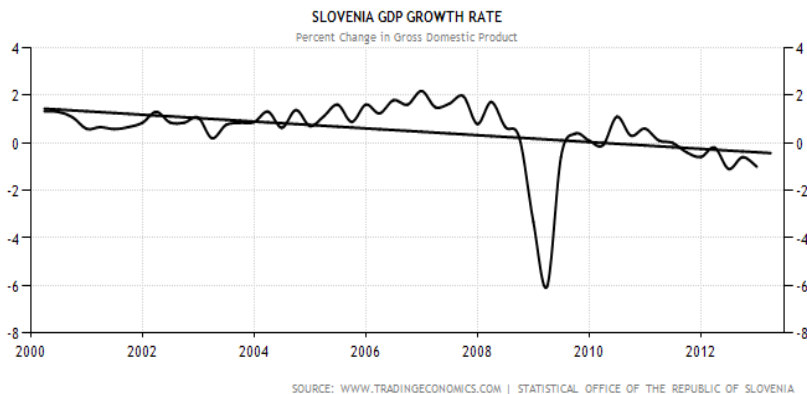


Figure 1. Slovenian GDP growth rate (%) January 2000 – March 2013 [http://www.tradingeconomics.com/slovenia/ accessed on 15.3.2013].

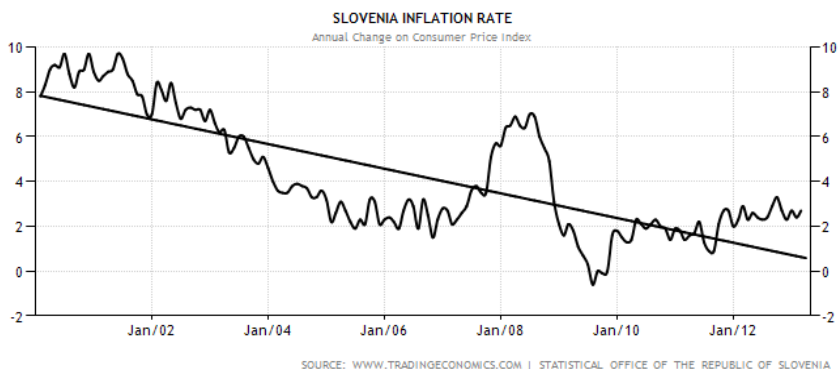


Figure 2. Slovenia inflation rate (%) January 2000 – March 2013 [http://www.tradingeconomics.com/slovenia/].

On the other hand, Figure 2 shows that inflation rate (despite general trend of decrease) picked up quickly after its initial drop in 2009. Soon after, the inflation rate recovered and the GDP growth was stabilized. However, between 2011 and 2013 one can see a slow inflation growth (similar to that of 2006).

Figure 3 shows the critical situation of registered unemployment. If in 2008 there were only about 60.000 unemployed workers, in 2013 the level rose again, just like in 2000, with 125.000 unemployed people and prediction to reach a peak at 130.000 by the end of the year. Needless to say that with recession and

rising inflation that generates an increase of the number of people living at or under the edge of poverty and social exclusion.

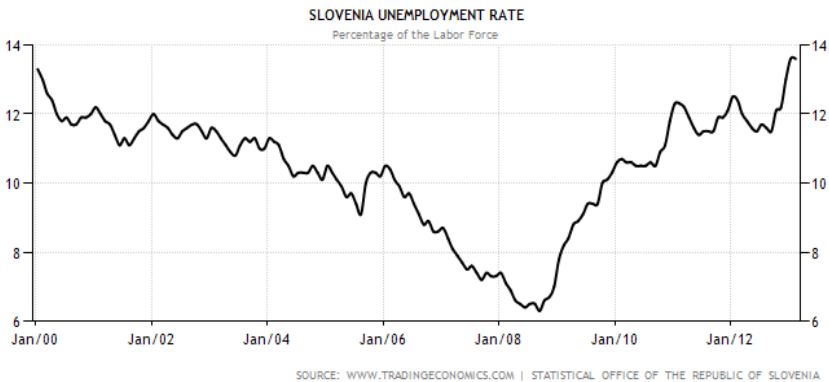


Figure 3. Registered unemployment rate (%) January 2000 – March 2013 [http://www.tradingeconomics.com/slovenia/].

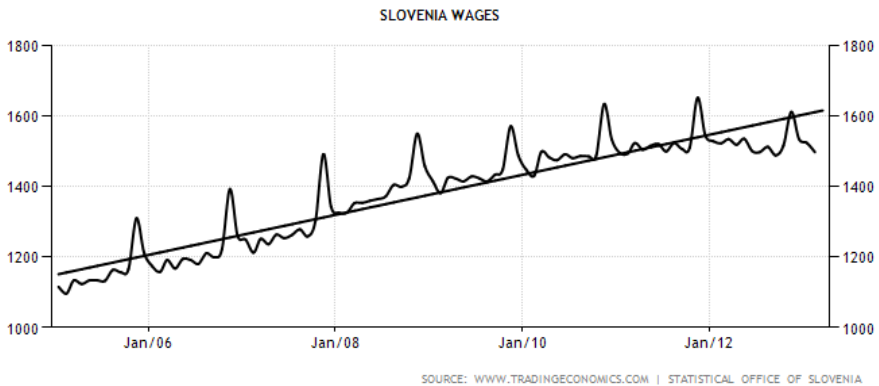


Figure 4. Slovenian gross wages average (EUR) January 2005 - March 2013 [http://www.tradingeconomics.com/slovenia/].

Figure 4 shows the effects of the total stop of the Slovenian economy in 2012. However, it is necessary to warn that this data set is available only for 2005-2013. Until 2012, there was a possibility to adjust the salaries with inflation. In 2011, due to the economic situation and governmental measures, salaries (as well as standard) started to stagnate. Stagnation of nominal salaries with increasing inflation (despite the small rate), created even a higher decrease of real salaries.

The consumer price index in Figure 5 shows that prices of the basic goods basket are constantly rising (with 2011 and 2012 being placed just under the trend level). The general idea can be three-sided. First possible understanding is that people still had some savings that enabled them to buy enough so keep demand on the level of previous years; that might have caused the steady growth of the prices of basic goods. A second possible explanation is that the increase of

the prices was independent from demand and it was profit-driven. A third explanation could be that the prices were rising due to the constant drop of supply (due to economic recession). No matter which explanation is right, a basic fact remains that less and less people in Slovenia have a paid job, the salaries are decreasing nominally as well as in real terms, and prices are rising.

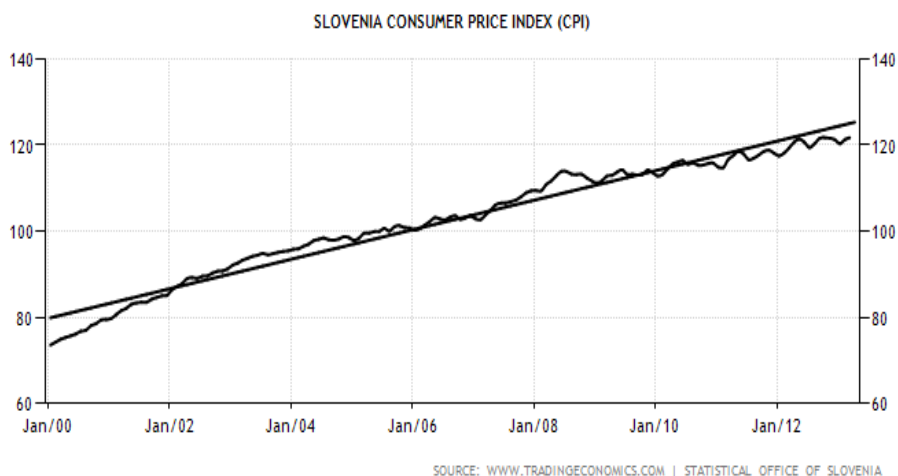


Figure 5. Slovenian Consumer price index January 2000 – March 2013
[<http://www.tradingeconomics.com/slovenia/>].

Under the aforementioned circumstances, the Slovenian government is in an ideological crisis and has no plan for starting a new economic cycle and increase the economic growth and employment (possibly without increasing inflation as well). The current socio-economic situation is result of a political-ideological blockage: a historical one, and one connected to the economic ideology.

The Slovenian society was ideologically split between WWII and the civic war [6]. Despite general recognition of historical truth, there are Slovenes that are not only opposing post-war communist repression (which is intolerable), but they are trying to redefine the role of certain people in the war and post-war period. As such, presently Slovenia is still facing debates over the role of communism in post-war and post-independence period, instead of concentrating on development issues of present and future. A second issue is partly connected to the first one and refers to the popular understanding of economy and welfare compared to political ideas. Although several citizens and some politicians support a strong anti-communist state, they are not automatically as much in favour of social and economic reforms, reducing the amount of social and economic rights that were established during the communist period. Political parties on the other hand quite unanimously agree that certain liberalisation should take place with higher level of responsibility of individuals for their activities.

3. Value crisis of Slovenian government

After the transformation into democracy and market economy great changes started to take place in Slovenia. However, when addressing the democracy issue, changes usually dealt with multi-party representation and when designing market economy, consumer-based liberalism was a key concern.

If previously any kind of anti-communist thought was considered to be hostile (except some deviations which were allowed as a sign of plurality), change brought a demand of ideas. At the same time, communist sentiments were discouraged, but not prohibited. Due to the economic issues that started to emerge already after the independence (Slovenia lost foreign markets as well as those considered to be internal to Yugoslavia), people started to unite around the statement that, despite the lack of certain political freedoms, life in the previous regime was better [7]. Also the general question of satisfaction with democracy in Slovenia over time showed that most people became less and less satisfied with democracy as such [<http://www.dnevnik.si/slovenija/v-ospredju/politbarometer-jansevi-vladi-le-se-16odstotna-podpora>]. This is usually explained with increasing arrogance of political elite in their perception. The lack of democratic political culture creates political statements and actions that can be visible on reformed communist politicians and maybe even more so on the anti-communist side.

Former Prime Minister, Borut Pahor proclaimed that he found difficult to survive with his salary of 3.001 Euro per month, in country where the average salary at that time was about 900 Euros [<http://www.rtv slo.si/slovenija/pahor-studentom-tudi-sam-se-borim-iz-meseca-v-mesec/232229>]. At approximately the same time, the President of the Republic, Danilo Türk spent 89.100 Euro for 13-member delegation for two-day business trip to Bosnia and Herzegovina [<http://www.rtv slo.si/slovenija/tuerk-visoki-resnicno-previsoki-stroski/95029>]. On the other hand, Janez Janša as Prime Minister stated that, if he would be younger, he would protest every day in front of the parliament for certain reforms that his government proposed. On the other hand, Prime Ministers party on tweeter called demonstrators, protesting against his government, Zombies of communist regime, trying to regain control. There was an increasing number of university degrees issued on basis of plagiarism or intellectual thefts. Janez Janša and Zoran Janković, presidents of the two biggest parties, Prime minister, respectively Mayor of Ljubljana, they were both under investigation of the Anti-corruption Commission for not being able to explain sources of their revenues and properties [<http://www.reporter.si/slovenija/kpk-pri-nadzoru-premo%C5%BEenja-jankovi%C4%87-jan%C5%A1e-ugotovila-kr%C5%A1itve-protikorupcijske-zakonodaje>]. And although the Anti-corruption Commission is not a judicial body, it does have a strong moral authority and its reports are considered to be quite important for public perception. Both aforementioned persons complained to the official judicial system against the Anti-corruption Commission's report, asking the court to annul them, but they got rejected five times in two months. Still, neither of them took the responsibility of their actions

and stepped out from their positions. No matter the political scandals, the main authoritarian element of 2012-2013 SDS Government was the withdrawal of the right to continuous protests. That happened while the freedom of expression and political thought are well embedded in the Slovenian Constitution. For the first time since the Independence Declaration, police used water cannons against protestants – a major act of police brutality in the attempt to protect a government supported by less than 20% of citizens (according to the public opinion surveys) [<http://www.dnevnik.si/slovenija/v-ospredju/politbarometer-jansevi-vladi-le-se-160dstotna-podpora>]. In a similar situation of general dissatisfaction and police over-reaction, the Bulgarian government showed democratic culture and stepped down from office. In turn, in Slovenia, the government was changed by vote of no-confidence, although the protests did ask for early-elections. In this manner one can say that the Slovenian political elite is far from willing to leave the position and show certain level of democratic culture and respect towards voters. If in the previous regime, the communist party acknowledge as primary care the removal from office of all those 'inappropriate' (politically and morally), democracy has no such repressive tool and relays only on the expectation that periodical election filter out corrupted politicians.

In the economic field, the value crisis of the Slovenian government can be seen on all levels, from ideology to policy measures. Ideologically, the main debated remains between socialism and capitalism. In this sense, one can say that economically, socialism can be called also welfare state in its most generous mode. On the other hand, capitalism is more than just market economy; it is about absolute prevalence of capital profit-driven interests against any social rights (this does not exclude possible privileges as mutually agreed benefits between capital and work). In this manner, the state tries to reduce its role to tax collector while markets find optimal relations between work and capital. Lately, the Slovenian government was mainly interested in following the EU recommendations for reducing public expenses, social services burdening the budget and increasing budgetary revenues [8]. As such, it managed to pass the legislation that reduced social transfers and made them long term loans that should be paid back in money or by seizing real estates of recipients (due to the fact that they usually still own some house or apartment where they live), it limited unemployment subsidies, accepted pension reform that increased retirement age and demanded 40 years of work for both men and women, accepted labour market reform, enabling faster firing of workers with less expenses for the companies [9]. If these reforms, even if not so invasive, were mainly rejected by the 2010 referenda, the new government of 2012 managed to pass them through parliamentary procedure without any public debate or public opposition (reforms were mainly supported by ruling coalition as well as by opposition). The only reform law that was not accepted was the law on prevention of illegal work that considered that any help to others, outside narrow family was considered illegal, especially if one was performing that activity also as his/her own job (i.e. if one was hairdresser, he or she should not be allowed to

cut the hair of his/her neighbour free of charge outside the working hours and in the neighbours' home). With this bill government tried to increase its ability to collect more taxes (value added tax and entrepreneurial income tax). At the same time, the government introduced higher fines for most common traffic violations, such as speeding, using mobile phones while driving, etc. By increasing fines, the government assured around 270 million Euro yearly, rather enough to cover expenses of all major political institutions in the state [10].

Slovenia, in its 22-23 year existence as an independent state, does not have any democratic political experience. All politicians have only communist political experience or they are without any experience at all [11]. They are only now creating democratic tradition (if we call communist experience as undemocratic for the sake of the argument). Even if there was a transition of the political system in the early nineties, there was no consolidation. People decided for slow move from past to the future and only in 2008 and the economic crisis all the malfunctions of the political system became visible. However, even if the political system seems to work and develop democratic principles to the higher standards there are two other aspects causing the current unstable situation. If the political system lacks consolidation, politicians, on the other hand, lack moral values and understanding that their role is to govern the country in the benefit of the society and not to rule it for their own benefit. The lack of such principle can be based in the past regime with high demand for political responsibility (now substituted by legal responsibility) and by revenging of individual politicians in their individual internal battles against previous regime.

If politically there is a question of political culture of individuals and lack of consolidation of the system, in the sphere of economics and society one can talk about unfinished transition. Privatization of economy was carried out (we are not discussing the doubtful quality of it) but understanding of market orientation got stuck in socialist state interventionism, where politics not only limits the competitiveness conditions but influences business decisions (one should be aware that state has smaller or bigger share in many companies) and at the same time companies understand state as responsible to keep them functioning.

Same is applicable also for society (as workers or citizens). Society expects to keep socialist privileges (despite this sentiment was strongly reduced after beginning of the economic crisis in 2008) in a sense that the state should 'give' them jobs, and protect them from poverty [8]. On the other hand, the government is not only unable to fulfil all the wishes but it is trying to reduce public debt on account of such basic humanitarian principles as solidarity among people in times of recession. To return to the introduction, one can claim that government by over-regulation, reducing freedom (especially economic one) and social security and by over-taxation in fact reduces security in general. By doing so individuals' dignity is reduced (by fear from poverty). Also, the rule of law principle of legal predictability remains in question due to the constant changes of legal system (leaving the debate of equality before law aside).

4. Conclusions

According to presented data, one can say that since 2008 Slovenia is facing economic and social problems that should attract the significant attention of the Slovenian government. Negative GDP growth, doubled number of unemployed workforce, increasing prices and reduction of nominal as well as real salaries are issues that are important for any state. If nothing else, shrinking economy, reduced number of taxpayers and smaller tax base will cause budgetary deficit, increasing public debt and reduction of state services on long run.

The Slovenian government noticed these facts. However, its reaction was general saving and cost reduction, which additionally stopped the money flow. At the same time, attempts to increase budgetary revenues were applied. Due to the restrictive measures, the government lost its support and the quality of life was significantly affected. In last few years, the share of poor or socially excluded people increased up to one fifth of total population while social services were systematically reduced.

In this manner, one can conclude that the government and political elite in Slovenia in general lost their value orientation and moved away from the main objectives of any responsible government (i.e. providing conditions for competitive economy and social security for those who are not able to fulfil their needs on the market). In opposition, Slovenia is faced by revenging power struggle between two main poles of politics with almost a non-existent democratic political culture, with no interest in general well-being and no clear vision of the country in the future.

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