**Effects of austerity measures on the socio-economic situation in Slovenia**

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Austerity measures affected the socio-economic situation in Slovenia on two different levels. On the one hand there were certain changes on the level of the state that resulted either in legislative or institutional changes. Serving as a framework for realization of austerity measures, they were introduced by the governing elites who, regardless of their political orientation, obediently followed instructions from Brussels. On the other hand, the crisis regime and adopted changes had concrete consequences for ordinary people and their socio-economic position.

To capture the full effects of the crisis on Slovenia and its people, my testimony will be divided in three parts:

1.)  In the first part, I will describe how the economic crisis evolved and which austerity measures were forced upon Slovenia to allegedly solve the crisis;

2.)  In the second part, I will outline what effect austerity measures had on Slovenian people and their socio-economic situation;

3.)  Lastly, by mainly focusing on the efforts of our party, Initiative for Democratic Socialism, and describing our struggle, I will address the responses to the crisis.

**Evolution of the crisis and the effects of austerity measures on the level of the state**

Slovenia adopted a financialized credit-led developmental model that led to indebtedness after the burst of construction and infrastructure bubbles when the crisis broke out in 2008. In order to cover interest rates of previous state loans, the incumbent government borrowed on the financial markets in exchange for government bonds. The spiral of indebtedness caused a severe drop in credit ratings and Slovenia’s public debt skyrocketed from about 22% of GDP in 2008 to almost 72% of GDP in 2013. Nevertheless, in February this year, Slovenia took another loan of 3.5 billion Euros, which further increased its debt for another 7% of GDP.

Because of this enormous increase in public debt, the governing elites put public debt capping as a priority for future economic policies. The urgency under which Slovenia had to limit its public debt, became a ‘threat’ and an argument for the adoption of the ‘golden rule’ in Slovenian constitution. With this maneuver, Slovenia gave up the only macroeconomic policy tool with which it could still independently control indebtedness. The 'golden rule' that does not permit any public deficit, only public surplus, will go into effect in 2015.

This means that Slovenia plans to compensate public finances with state revenue. So far, Slovenia promoted two obvious ways of increasing state revenue:

1.)    through privatization of Slovenian state-owned companies, and

2.)    through budget cuts that mostly entailed spending cuts and tax increases.

For the purposes of *easier* privatization, the government established a state holding and a ‘bad bank’ that were supposed to help selling insolvent Slovenian companies. Under the pretext of the crisis and giving in to the political pressures from Brussels, Slovenia agreed to start selling also its profitable state-owned companies, e.g. its national telecommunication company Telekom, which is one of the biggest tax payers in the country. Many prominent economists are warning that privatization will have extremely negative developmental effects on Slovenia that will manifest in diminished competitiveness, lower exports, trade deficit and complete side-lining of Slovenian economy to the global economic periphery.

Nevertheless, the governing elites are relentlessly pressing for privatization. To make it happen, they excluded Slovenian people from any rights of decision-making on the subject. In the case of the establishment of the state holding and bad bank when the public wanted to vote on the subject, the Slovenian constitutional court simple overruled the possibility of a referendum for all matters of public finances. This gave the state a free pass to enact any kind of austerity measures.

In addition to privatization, the governing elites also introduced massive budget cuts and tax increases. With the Fiscal Balance Act of 2012, that provoked protests and public discontent, Slovenia instituted budget cuts in the public sector, especially for social transfers and pensions. Slovenia foresaw cuts for child benefits, kindergarten funding, and unemployment benefits. It diminished pensions for more than 26.000 pensioners, mostly for working abroad in other ex-Yugoslav republics or for their National Liberation Front membership. In some cases, the cuts amounted up to 300 Euros per pensioner. The state also put pressure on the public sector – it cut budgets for ministries and froze or even tried to diminish salaries. The next step is the introduction of tuition fees and further privatization of education and health care.

In addition to budget cuts, the government also introduced supplementary taxation that spared the rich and burdened the less fortunate. For instance, under the pretext of not paying off, the state opted out of progressive taxation and, quite recently, also out of tax on financial transactions. Instead it rather raised the VAT tax and tried to introduce a new, unfair real-estate tax that was fortunately revoked in the end.

**Effects of austerity measures on the socio-economic situation of Slovenians**

Throughout the 1990’s, Slovenia had a tradition of strong organized labor. Trade unions played an important role as a social partner in the negotiations with the state and the capital. Due to their role, Slovenia had to make several concessions to the unions, hence retaining the model of gradual privatization that provided for a strong middle class. The crisis, however, brought significant changes to the role of the unions and consequently to the Slovenian labor force, which became increasingly fragmented and deprived of basic worker’s rights.

In the past years, the role of the trade unions in the social partnership with the state has been diminishing, which is mostly due to recurrent pressures on unions and workers to make concessions to capital in order to retain competitiveness and attract foreign investments. Such market conditions have also increasingly forced the labor force in Slovenia into precarious forms of employment. This has led to a deterioration of working standards without precedent. A new ‘social class’ of poor employees has been born, deprived of most or even all their social benefits (such as social contributions for health care and pensions, normal retirement conditions, paid extra hours, official seniority as condition for retirement), not to mention decent payment.

In addition to precarization, Slovenia is also struggling with growing unemployment, in particular youth unemployment. In comparison to November 2011 when youth unemployment was at about 15%, youth unemployment amounted to over 26% in February this year. Even though the percentage might not seem high in comparison to Spain or Greece, it is necessary to stress that the growth of youth unemployment rates in Slovenia is one of the fastest in the EU!

This has caused not only a drop in the living standard and purchasing power of Slovenes, but has also pushed a growing number of people under the poverty threshold. In 2012, there were almost 20% of Slovenians who either lived under the poverty threshold or were socially excluded.

Such circumstances lead to further social problems. Rising criminality, staggering suicide rates and growing brain drain are just a few responses to the situation.

**Responses to the crisis and the efforts of IDS**

Austerity measures, threats of the Troika, and general dissatisfaction with the political and economic situation in Slovenia, provoked a wave of public demonstrations. The so-called “all-Slovenian upheavals”, the biggest demonstrations of Slovenian people since the independence, took place from 2012 on and have laid ground for alternatives in Slovenian civil, cultural and political society.

Our party, the Initiative for Democratic Socialism (IDS), was one of such alternatives that penetrated Slovenian political scene. First organized as a civil initiative, IDS grew into a full-fledged political party in March of this year. For the first time after independence, IDS brought socialism back into the political discourse. Such a radical break in discourse was necessary in Slovenia, now more than ever, since the established political parties, regardless of their political orientation, all promote austerity and neoliberal policies as the only possible solution for the resolution of the current economic crisis. We, on the other hand, advocate democratic socialism as the new viable alternative to neoliberal policies.

In order to outline how we have persevered in our struggle, let me first shortly describe the political realities in Slovenia that tightened with the current crisis.

One of the biggest challenges IDS has to face in Slovenia is political apathy. Voters are extremely mistrustful and politically inactive which is a consequence of several factors, such as numerous corruption affairs at the very top of Slovenian political scene, same political figures that have been on the scene for decades and made and broke every possible promise, general political instability, and the foremost the feeling of helplessness and lack of influence on decision-making.

Political apathy is, however, especially a problem of the left electorate, e.g. our potential voters. Even though the post-demonstration period produced a variety of new left alternatives, the possibilities for cooperation are limited since most of the so-called left alternatives would accept the current system with minor cosmetic changes. This means that the left pole is very fragmented and that the left voters stay divided overall, which unfortunately works to the benefit of the right wing parties and to the policies of further austerity.

This will probably be reflected in this year’s triple elections – European, parliamentary and local. Due to the resignation of our Prime Minister in May, Slovenia will very likely hold early parliamentary elections. Being aware of IDS’s growing role, the old established parties are pushing for elections as early as July, because they know that, compared to us, they clearly have an organizational and financial advantage.

In addition to the abovementioned problems, our party also has to strive for the restoration of socialism since the concept has been successfully discredited and stigmatized by politicians ever since Slovenian independence. This means that people who might share our political viewpoints and live by socialistic values have a prejudice to openly and politically identify themselves with our party and its struggle.

However, we are realistic in knowing that our struggle is a long-term project that will demand ample persistence and resistance. In our struggle, we believe that cooperation and integration is key. That is why our activities are focused on three different levels, e.g. network building and cooperation on local, national as well as European level. We have two special groups, one focusing on cooperation and integration with like-minded organisations, movements, and trade unions on national level, and the other organizing presentations all around Slovenia in order to establish local committees. We also have an international group that seeks for cooperation on the European level, the result is me being at this wonderful event today. Through network building we not only want to draw attention to what is happening in Slovenia, but we also want to connect with others in our common struggle, which will be only possible through united action.

We also try to raise awareness about the crisis situation. Local presentations serve to debate with people about the origins and causes of the crisis and demonstrate that there is a socialist alternative to its resolution. Our online newsletter and posts enable access to a different, more holistic set of news that is generally omitted by the mainstream media. Our participation in and organization of demonstrations should show the people we are also a part of their struggle.

Our efforts are driven by the personal commitment of our members, constant strive for raising awareness, and further efforts for cooperation, integration, and ground action on local, national and European level.

But the main thing that fuels our resistance is first and foremost our conviction that socialism is the only possible alternative to current economic governance and that if we unite, we will resist and in the end win! (Now it’s time for democratic socialism!!)