Prague: thousands protest against cuts in social programs

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On Saturday, June 23, one of the largest demonstrations since the collapse of the former Stalinist regime in 1989 took place in the Prague, the capital city of the Czech Republic. Approximately 35,000 people protested against the reform plans of the country's conservative-Green Party coalition.

The protest held in Prague's Wenzelsplatz had been called by the central Czech trade union federation CMKOS and various other trade union organizations. The demonstration was directed against the proposals for wide-reaching "reforms" by the government of Prime Minister Mirek Topolanek of the conservative People's Party (ODS), whose plans mean deep cuts in the country's already severely stretched social safety net. Those responding to the protest call included workers, clerical employees, school pupils and students, as well as many pensioners.

The "reform package" drawn up the government—a coalition of the ODS, the Greens and the Christian Democrats (KDU CSL)—is aimed at paving the way for the republic's entry into the Eurozone. The Czech Republic joined the European Union in 2004, and the introduction of the European currency is planned for 2010.

The reform package developed by the government goes well beyond previous attempts to impose budget cuts. It quite blatantly involves a redistribution of wealth from the poorest social layers to the rich, which is out of the ordinary even by existing Eastern European criteria.

The plan envisages fundamental changes in the sphere of taxes, health and social policy. It is due to be implemented at the beginning of next year. According to government data, the plans will bring savings during the next few years amounting to several dozen billion koruna.

The plans involve massive tax increases for lower and middle-income groups. In the future, taxes will no longer be deducted from wages, but rather from the so-called "super-gross wage," which includes all social and health insurance payments. This move will lead to higher tax deductions and reduced net incomes. The country's reduced value added tax (VAT) rate for such products as medicines, food and newspapers is to be more than doubled, from 4 percent to 9 percent.

The additional revenues obtained from the ordinary taxpayer will be used to finance tax reductions for Czech companies. Business taxes for companies will be reduced from 24 percent to 19 percent. The government is thereby directly reacting to the demands of big business representatives, who have long been calling for a radical reduction of taxes in order to compete with other Eastern European states in the race to introduce the lowest rates of business taxation.

A further key element of the reform package involves changes to the social system. Employment Minister Petr Necas (ODS) wants to sever the automatic adjustment of social security benefits to the level of income and price increases. In view of rapid price increases, particularly for food and energy, this measure means drastic cuts for the already poor members of society receiving social security benefits. Several other payments for children and single-parent families are to cut entirely.

Necas is also intent on changing the pension system and is demanding an extra 10 years of payments (from 25 to 35 years) before any worker is eligible for a pension. At the same time he proposes to increase the retirement age from 62 to 65 years.

Organizations such as the World Bank have been demanding an end to the state-run pension system in the Czech Republic. At the beginning of the 1990s, average pensions amounted to 54 percent of previous wages. Now this figure has sunk to around 40 percent.

The current government is not prepared to limit itself merely to pension cuts. Necas has announced the first steps towards ending the state-financed pension system.

From 2010 onwards only a small share of the pension will be guaranteed by the state and the remainder will be privatised. Government representatives have systematically campaigned in favour of private pension funds.

The plan recalls the so-called "coupon privatisations," which were introduced by the current president, Vaclav Klaus, in the first years after the collapse of the Stalinist regime. At that time, state enterprises and institutions were sold off to foreign trust funds and speculators for ridiculous prices—an blatantly illegal policy which wiped out a large part of the national wealth.

The country's health system has also been targeted for fundamental reform. Fees will be levied for every trip to a doctor or stay in hospital, and prescription fees are also to be introduced. Even children and recipients of social security payments will not be excluded from these regulations. Health Ministry speaker Toma Cikrt explained that the measures were aimed at cutting back "the excessive use of the health service."

Federations of both patients and doctors have protested vigorously against these plans. They fear that the measures will prevent chronically ill and poor persons from visiting their doctors.

There is no fundamental opposition to these measures in the Czech parliament and the reforms have already overcome a number of crucial hurdles. Any criticism of the government plans comes from the right and is bound up with demands for even more extensive measures. Leading the field in this respect are the Greens, who are calling for additional sacrifices from the population to finance tax gifts for major companies. They are urging a kind of environmental tax, which would drastically raise the price of fuel oil, gasoline and other sources of energy. Such a tax would be especially punitive for low-income earners, who have already experienced large increases in energy prices over the past few years.

ODS deputy and former finance minister Vlastimil Tlusty has demanded even larger tax deductions for enterprises and the country's wealthy elite. Tlusty exercises considerable influence in the government and it is widely expected that he could intensify the reforms even further.

Although the government coalition has only half the seats in parliament, its social cuts and tax cuts for business have been supported by the Social Democrats (CSSD). The tame objections raised by the Communist Party (KSCM) are also thoroughly hypocritical. The party has declared on a number of occasions that it would be prepared to tolerate a CSSD minority government, although the program of the CSSD differs only in detail from that of the ODS.

The trade unions that organized the protest on Saturday also have close political links with the established parties. Their criticism is merely directed against the excessive haste with which the reforms are being whipped through and the flagrantly socially unjust nature of the measures.

The head of the CMKOS, Milos Stech, complained that the trade unions had not been involved in advance in discussions over the planned reforms. When the CSSD headed the government, the trade unions had regularly been involved in policies involving cuts and economic measures. Even now they are not opposed in principle to the government's current reforms. Stech expressed his own support for a pension reform but declared that it should, however, be properly "thought through" and "professionally" implemented.

Over the past few years the Czech trade unions have shifted to the right and adapted to the established parties at breath-taking speed. At the beginning of the 1990s approximately 90 percent of workers were organized in a union. Today this figure is less than 30 percent. At the same time the various trade unions are wracked by internal disputes and an acute lack of funds.

For the past 18 years they have failed to provide any alternative to either the reactionary government led by Vaclav Klaus, which openly rejected any social dialogue, or the various Social Democratic governments, which carried out large-scale attacks on social gains. In fact, in those spheres where they retained any influence, they functioned largely as a tool of the government and were instrumental in suppressing any protests.

Studies carried out by the Capgemini and Merrill Lynch agencies have revealed the consequences of years of attacks on the living conditions and social rights of the Czech population. The studies demonstrate that there has been a huge increase in the ranks of the rich in the Czech Republic. In one year alone (2006) the country's number of dollar millionaires rose by around 1,660 to total 15,000.