

Czech government announces drastic economic measures

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The new Czech government, known as the “Coalition of Budget Responsibility”, was sworn into office by the Czech president Vaclav Klaus on Tuesday. The “Coalition” has already made clear that it plans fierce attacks on the living standards of the population and will implement the severest austerity package in the history of the republic.

In the federal elections last month, the Czech Social Democrats (CSSD) received the biggest share of the vote, but they were unable to form a viable coalition. Instead, current Prime Minister Petr Necas of the conservative Civic Democratic Party (ODS) formed an alliance with two organizations whose sole loyalty is to the interests of European and Czech business—the party TOP 09 and the Public Affairs Party (VV).

These three parties control 118 seats in the 200-strong Czech parliament. This is the biggest majority enjoyed by a government since the reintroduction of the free market 20 years ago. This majority, however, has nothing to do with any broad popular support.

Both the ODS and the CSSD suffered substantial losses in the parliamentary elections held last month. The ODS result plunged to 20 percent. Four years earlier, the party had received 35.4 percent.

The result of the election reflected wide-spread opposition to the corrupt practices and unprincipled horse-trading of the political elite, and to the radical free-market policies carried out not only by conservative parties, but also by the Social Democrats and the Communist Party (KSCM). In the recent election campaign, the KSCM—successors of the former Stalinist state party—declared their willingness to enter a coalition with the CSSD.

The republic has been without a stable government for some time. The conservative Prime Minister Mirek Topolánek resigned one year ago when his minority

government, dependent on the votes of social-democratic defectors, lost support. A so-called “Cabinet of Experts” then governed the country led by the non-aligned Jan Fischer. The political situation was paralyzed by disputes between the various parliamentary factions. Since taking over as president in 2003, Klaus has already sworn in six different cabinets.

Those profiting from the slump in fortunes of the republic’s established parties were two politically right-wing newcomers—TOP 09 (the abbreviation stands for Tradition, Responsibility, Prosperity) and VV.

With the aid of these two parties, the Czech elite now aim to introduce the most radical austerity measures in the past 20 years. After some skirmishing over who should get what post, the three parties quickly arrived at a common position.

The coalition has decided to cut public expenditure by 40 billion crowns (1.6 billion euros). The Austrian Presse Agency commented that the government could only offer “blood, sweat and tears”. Lower and middle incomes will be affected, above all.

The lowest tax rate will be raised to 12 percent, while the tax rate for top earners will increase minimally to 31 percent. However, this measure on its own is insufficient to reduce the country’s current budgetary deficit of 5.7 percent to the 3 percent limit demanded by the European Union.

Starting from 2011, the salaries of state employees are to be reduced by approximately 10 percent. Child subsidies will only be given to first-born babies instead of all children. The already miserly payments for handicapped citizens are also to be cut significantly, and additional tax subsidies made primarily to low earners are to be slashed.

In the health service, the government parties have

announced their intention to undertake “the biggest reform of the last 15 years”. No details have so far been released. What is clear, however, is that the reform will invariably deprive many Czechs of affordable health care.

One measure that has already been decided is the introduction of course fees for students from 2013 onwards. Against a background of declining wages, higher taxes and above-average indebtedness of private households, this measure will promote a two-tier form of education and university studies, favoring the wealthy.

The coalition has also agreed the direct election of the head of state—a proposal supported by opposition parties. The media has attempted to portray this step as proof of the democratic inclinations of the ODS. Nothing could be further from the truth. The ODS proposal is merely aimed at preventing a repetition of the type of ugly mudslinging that has characterized presidential elections in the past.

The latest austerity measures will be largely implemented by well-known and notorious figures in Czech political life. Most power will be concentrated in the hands of the future Finance Minister Miroslav Kalousek, the real leader of TOP 09 together with Foreign Minister Karel Schwarzenberg. Between 2003 and 2006, Kalousek led the right-wing conservative KDU-CSL government but was then forced to resign, after he declared his willingness to enter a coalition with the CSSD and KSCM after the 2006 elections.

Kalousek was also finance minister in the previous conservative, free-market coalition, but he was unable to press ahead with a series of spending cuts when the government collapsed.

Schwarzenberg will also play a key role in the next administration. An aristocrat with a personal fortune estimated at approximately 300 million Swiss francs, Schwarzenberg has long used his extensive political contacts to improve his bank account.

Following the privatization of the liquor manufacturer Becherovka, claims arose that Schwarzenberg has used his political influence to facilitate the privatization. In 1997 the Salb consortium, of which Schwarzenberg is a shareholder, took over 30 percent of Becherovka plus voting rights for 21 percent of the shares owned by the Czech state. In 2001, 89 percent of the state-owned share of the company was sold off to VALUE Bill

GmbH, also a company in which Schwarzenberg is involved.

Another minister of the former Topolánek government, the conservative Alexandr Vondra, is taking over the defense ministry. Vondra was controversial for his outspoken support for a US-sponsored anti-missile system to be located in Poland and the Czech Republic. The planned system was rejected by the overwhelming majority of the population.

Another contentious minister is the leader of VV, Radek John, who has taken over the interior ministry, although the VV has links to a major Czech security firm.

John, a former television moderator, lacks any political experience, but he now has the task of heading the ministry tasked with suppressing popular resistance to imminent social cuts. His inexperience means he can easily be manipulated by cynical old hands such as Schwarzenberg and Necas.



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