Slovak premier prepares austerity agenda

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Shortly after taking office, the new Slovak government signalled its intention to implement an austerity agenda. Social Democratic Prime Minister Robert Fico has declared that the reduction of the budget deficit to less than three percent of gross national product (GNP) by 2013 is the supreme goal of his government. Currently the deficit is 4.7 percent.

"The balancing of public finances is now the top priority which any other government would also have to undertake", Fico said on Saturday. He was speaking at the end of a parliamentary session during which 82 of the 150 parliamentary members of his government expressed their support for his austerity program, which thus far has not been fully outlined to the public.

In the early parliamentary elections held in March, Fico's Smer-SD obtained 44 percent of the vote and a majority of parliamentary seats. For the first time in the history of the country the party is able to govern without a coalition partner.

Smer-SD owed its election victory to political fallout from the so-called "Gorilla affair" earlier this year, when an investigative journalist published secret government documents outlining widespread corruption in Slovakian politics, and to the increasingly precarious economic situation for broad masses of the population. Fico had promised to end the anti-social policies of the previous right-wing government.

Giving the lie to his election promises, Fico has affirmed that Slovakia will unequivocally fulfill the fiscal requirements placed upon it by its membership in the EU. "The EU can rely on [Smer-SD]", he said.

His finance minister, Peter Ka?imír, has made it clear that lowering the budget deficit will require additional, still unspecified, austerity measures. The Slovak government is reportedly seeking to secure a further €1.5 billion ($1.9 billion) in savings.

Ka?imír is an established figure within the financial elite and has close ties to business circles. Between 2006 and 2010 he worked at the finance ministry as treasury secretary in the first government headed by Robert Fico. From 2010 to 2012 he was deputy chairman of the parliamentary finance and budget committee. He also sits on the board of several public companies including Vivant, PARTA GAS, DDP Credit Suisse Life & Pensions and Sceptrum.

Business associations responded positively to the plans of the new government. Robert Kicina, chairman of the Slovakian Business Alliance (PAS), said that the program contained many positive elements, particularly those that improve prospects for business.

The austerity program recently approved by the government also reportedly includes new taxes on corporate and retail bank deposits, as well as minimal increases in income taxes for high earners and high-profit companies. Slovakia currently has a 19 percent flat income tax, which the government now proposes to raise to 22 percent for top-earning corporations and 25 percent for those making over €33,000 year.

Even as he prepares to enact an austerity agenda, Fico has claimed that he will create a "strong welfare state". Fico has promised to stop the privatization of health care, promote public housing projects and provide funding to tackle youth unemployment. He also announced the introduction of a minimum pension, failing, however, to specify any amount.

Most state pensions are currently far below the poverty line. The previous government had largely privatized the pension system, a move that led to a dramatic reduction of pensions.

Fico's welfare state promises are a sham. They are clearly incompatible with his proclaimed savings plan. Whatever minimal gestures are made in the name of “promoting growth” will be undercut by the axing of state expenditures in other areas.

In 2006, Fico ran an election campaign with the promise to stop privatization, abolish the flat tax and reverse changes that had already been made to pensions and health care. At that time, Smer-SD won the election and formed a coalition with the right-wing HZDS and the nationalist Slovak National Party (SNS). Fico then ditched all his campaign promises and, with the support of the trade unions, promptly continued to implement the neo-liberal policies of his predecessor in order to prepare the country for the introduction of the euro in 2009.

Prior to the 2008 economic crisis unemployment in Slovakia was 8 percent, a record low. Today it has risen to nearly 14 percent. Youth unemployment, at 31 percent, is among the highest in the EU.

Additional cuts inevitably mean a further deterioration of living conditions for the Slovak population. Slovakia currently spends just 17 percent of its GNP on social security and health care, half the EU average.

The price of housing is higher in Bratislava than in Prague and Vienna, and more than 50 percent of Slovak households spend more than 60 percent of their income on rent.

The average wage is just under €800, but pay in many industries is barely over the minimum wage rate of €307. In 2007, 11 percent of the population lived in poverty, a figure that has now risen to almost 18 percent. In the same period, the number of working poor increased from 5 to 9 percent.

Wages in the east of the country are nearly 50 percent lower than in the west. This is under conditions where the average real wage in Slovakia is constantly decreasing. 2008 was the only year when real wages were higher than the level achieved prior to 1989.