

# Slovakia: From »National Capitalism« to EU Liberalism (and Beyond?)

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*There is a big secret at the heart of the Slovak politics today.  
A secret that none of the people »in the know« dares to tell the public.  
Let us break the taboo and say it out loud:  
The transition in Slovakia is over.*

That is not to say that the pain for the population is over – not by any means. Nor does it mean that Slovakia is today a fully functioning market economy of the Western type. Rather, it is to point out the fact that the main focus of the government agenda is no longer on assimilating the structure of the Slovak economy and society to that of Western Europe. That period has passed, to be finally sealed by Slovakia's entry into the EU. Today, it would not be too far-fetched to say that the point of the government agenda is to actually diverge from the Western European standards. We are leaving the familiar contours of the still-existing EU-type welfare state and entering uncharted waters. Under the guise of »reforms« – a magic word behind which any sort of outrage can still be hidden – the government is hoping to push through a radical right-wing programme that, when taken as a whole, has no equivalent anywhere in the Western world (including the US). This programme includes the privatisation of the pension system, the flat income tax (as well as a sharp increase in the VAT on basic necessities), elimination of the free healthcare and higher education, and privatisation of the remaining public enterprises, chiefly utilities such as water.<sup>1</sup> It is imperative to keep the population in the dark about the fact that these things have nothing to do with transition and everything to do with Eastern Europe becoming – after Latin America – the newest laboratory for neoliberal ideas. For if the people realised this, who knows what that might lead to?

## **In the Beginning ...**

However, this new period in Slovak politics is comparatively young. The past decade was indeed in the main one of a transition from the state command economy towards a private-property market one. And the chief feature of this transition, one that very visibly dominated the politics of these times, was privatisation.

Privatisation in Eastern Europe is of course a qualitatively different phenomenon from its Western counterpart, and not just because of the massive difference in its scope. Whereas in Western Europe, state assets are purchased by the finance generated by an independently functioning private sector, in Eastern Europe there was no such source of finance to be found. To spell it out, no private citizen could possibly have had enough money to be able to afford even a small enterprise at the beginning of the transition – at least, not legally. Under such circumstances, privatisation could either proceed through selling off the state assets abroad – where such independent

source of finance could be found – or by direct re-assignment of property rights from the state to the individuals.<sup>2</sup>

Which particular form this re-assignment has taken – the so-called »voucher privatisation«, »tunnelling« (state-owned enterprise managers channelling the company assets to their own newly-founded private enterprises) or »direct sales« by the state – is immaterial in this context. At bottom, domestic privatisation in Eastern Europe was always and everywhere tantamount to a gift and/or theft – this being not a statement of ideology, but a simple matter of logic.

That is not to say that the different methods of re-distribution (»privatisation«) did not have different social consequences. The advantage of the voucher privatisation is its superficially egalitarian ethos. This was important for two reasons. On the one hand, it gave privatisation the appearance of a socially just measure<sup>3</sup> – and official propaganda notwithstanding, the concern for social justice (not necessarily associated with any particular openly political position) were deeply felt within the Eastern European populations at the beginning of the transition. Secondly, the apparent equality of opportunity masked the real nature of the process, whereby assets were over time acquired by the real privatisers – the investment funds to which the millions of small shareholders sold their tiny portfolios in return for a pittance (if that).

The social-political process the voucher privatisation sets in motion is fairly clear. As a matter of course, the parties that are the most vociferous advocates of this method can fairly confidently expect to be popular with the beneficiaries, i. e. the newly-propertied classes. The advantage of this process is that while there is a mutually beneficial relationship between the two, on the surface party-politics is kept at arms' length from the economy.

Such was the basis of support of Václav Klaus' Civic Democratic Party in the Czech Republic, and also the strategy that Klaus' counterparts would have liked to have pursued in Slovakia. However, the strategy was abortive, for a »natural disaster« intervened: the emergence of Vladimír Mečiar.

### **Mečiar: An Executive Summary**

The history of post-revolutionary Slovakia was, until fairly recently, a history of struggles against Mečiar. A member (though not a founding one) of the revolutionary party that was the main mover of events in Slovakia, Public Against Violence (VPN), he became the head of government after the first free elections in 1990. However, fairly quickly he got into a conflict with the VPN leadership and, through the use of the »old« Communist-era parliamentary mechanisms, he was ejected from his position.

Mečiar reacted by seceding from the party, taking a number of deputies along, and creating his own Movement for a Democratic Slovakia (HZDS), which was to be the dominant force in Slovak politics for almost a decade. It won the elections in 1992 and Mečiar became the Prime Minister for the second time. However, due to his aggressive, adversarial style of politics, as well as to the assiduous work by the Right (chiefly represented by the Christian Democrats), the HZDS gradually bled deputies in favour of the opposition and, in 1994, the government lost a vote of confidence in the parliament. It was replaced by a broad left-right coalition, which only lasted half a year. In the early elections, the HZDS achieved another big victory and Mečiar became the head of government for the third time, forming a coalition with the far-

right Slovak National Party (SNS) and (putatively) far-left Worker's Association of Slovakia (ZRS). It appeared that the HZDS would keep his dominant position for years to come; the Right never managed to defeat Mečiar in a straight electoral fight, only removing him both times by backroom deals and manouvres.

This assumption proved wrong in 1998, after the only full term in government that Mečiar ever achieved. During this period, the rule of the HZDS finally came to resemble the nightmarish picture that the Right was painting from the beginning: it was characterised by scores of breaches of the law, anti-liberal measures, corruption, and a growing accommodation with the criminal underground.

The kidnapping of the son of the Slovak President – at first an ally, later a sworn enemy of Mečiar – is emblematic of this period. The son, wanted by Interpol (itself indicative of the general state of the country) was kidnapped, forcibly made drunk, and delivered to the Austrian police. In the aftermath, it became clear that the deed was committed by the Slovak secret service. In a grisly culmination of the case, the young policeman who served as a connection to one of the main witnesses was murdered, in an apparent collusion between the secret service agents and the mafia-style underground.<sup>4</sup>

However, events such as these, significant as they were, are only expressions of the deeper structures of the HZDS rule. What can we say about these?

Despite some ideological grand-standing, the HZDS never really deviated from the market-oriented consensus in Eastern Europe: the objective of the political process was to create a functioning capitalism. Thus, accusations of »anti-reformism« directed at HZDS by the liberal right-wing opposition were beside the point. Mečiar's party did indeed follow its own course in transition, as far as macroeconomic policy is concerned – Mečiar's third government, for example, moved from restrictive to expansionary fiscal policy (such Keynesian strategy was not available on the monetary side, given the independence of the Central Bank). Speaking of *structural* reforms, however, there was never a question of any »third way«. As Mečiar stated very early on, the objective of his party was to create a »national capital-creating stratum« (the word »class« being of course a no-no in the conditions of post-Communist Slovakia) and this objective was adhered to remarkably consistently.

The HZDS policy seems actually fairly coherent in retrospect. What the party was trying to do was to build up an economically and politically strong nation-state, buttressed by an appropriately nationalist ideology – where the first approximation to »politically strong« is something like an »illiberal democracy«; a semi-authoritarian regime legitimated by periodic more-or-less free elections. The strategy also implied positive discrimination in favour of the domestic privatizers, as opposed to foreign interests. In direct contradiction to the neoliberal principles (and even to many of its own pronouncements), the HZDS government was thus keen to *keep out* as much foreign direct investment as possible. It was fairly successful in this respect, earning it an undying hostility from the side of the EU and other institutional arms of global capitalism.

### **HZDS: an Attempt at a Class Analysis**

In trying to create a »national capital-creating stratum«, Mečiar did not follow Klaus and Balczerowicz in using the voucher privatisation. That policy was clearly

associated with the liberal Right that had removed Mečiar from power. Moreover, voucher privatisation largely disenfranchises the »old« managerial class, and this was the stratum that found its champion in Mečiar.<sup>5</sup> For both these reasons, the HZDS discarded voucher privatisation and instead adopted a »direct sales« approach to the re-distribution of state property.

On the other hand, it is important to note that the HZDS did, almost to the end, exhibit some features that allowed it to be called »left-wing« by some observers. It represented the »soft« side of the neoliberal consensus – thus occupying the role that in most of the transition countries came to be played by the political Left – whether post-Communist (as in Poland and Hungary) or not (as in the Czech Republic). As pointed out before, the »soft« wing of neoliberalism (or the »good« part of the »good cop-bad cop« pairing) accepts the necessity of creating a functioning private-property capitalism, thus rejecting any sort of the »third way« as a wishy-washy experiment; and moreover, also accepts most of the neoliberal macroeconomic doctrines (cf. the evil of budget deficits, the overwhelming need to control inflation, the necessity of low taxation, etc.), thus rejecting most of the traditional social-democratic and Keynesian policies. Its »softness« consists partly in the half-heartedness and inconsistency in the applications of these policies, and partly in the attempts to maximize whatever meagre space for social protection is left by these demanding constraints.

Thus, what Mečiar represented was in effect a cross-class alliance between a section of the »losers« (the workers and the pensioners) and the »winners« (the old managerial strata and other »industrial« privatizers) of the transition, united, despite their opposing interests, by the need to face a much stronger opponent in the shape of the Western capital and its institutional forms (chiefly the IMF/WB and the European Union).

Mečiar's ultimate downfall was due to the fact that the support for the project of the »social and illiberal« regime never actually had the majority support. It could attract a significant proportion of the population, but for its survival it relied on an even greater »neutral« group. The indifferent stance of the »middle« (neither strongly pro- nor anti-Mečiar) group of voters quickly turned to hostility, leaving the HZDS as isolated at home as it was abroad. In party political terms this was revealed by the fact that the HZDS could find no partners for a coalition after 1998, when its former allies (SNS and ZRS) suffered deep losses as a result of their collaboration in the third Mečiar government and could no longer sustain his rule. It was this fact, rather than erosion in the support of the HZDS itself, that spelt the end of the Mečiar era.

### **The Destruction of the Left**

The HZDS was, in terms of its economic policy, actually on the far left of this »soft« wing – as alluded to above, it dared to pursue openly Keynesian policies such as deficit-financed public works (chiefly motorway construction) – and was duly condemned by the neoliberal Right. Thus, in terms of the economy it sometimes actually outdid the by far most important faction of the post-1989 Left on its left flank, not allowing it much space for growth.

The post-Communist Party of the Democratic Left (SDL) was thus incapable of emulating the success of its sister parties in the neighbouring countries. Unable to achieve hegemony on the left side of the spectrum and never reaching much beyond

its core vote, the SDL was reduced to forming anti-Mečiar alliances with the Right (always far more vocal opponents of the HZDS, for understandable reasons).

The SDL stood its best chance of long-term growth after the 1998 elections, when, by pursuing »independent left-wing« oppositional politics, it managed to recover the votes lost by its previous adventure with the right-wing parties (together with whom it overthrew the Mečiar minority government in 1994). The HZDS lost its ability to rule after the elections and the Right was poised to form the government. The SDL was ideally positioned to support the minority right-wing government as against the HZDS, yet not be associated with its unpopular measures and keep most of them in check through the threat of the no confidence vote. Instead, it chose to enter the government, thus repeating the mistake it had made once already. Had it sustained its critical stance towards both the Right and Mečiar, SDL may have been the party of choice for the opposition voter in 2002. Instead, this policy was pursued by a lone young maverick Robert Fico, who left the SDL early on after 1998, founding his own SMER (»Direction«) party; despite a sustained media campaign, SMER achieved a creditable 13.46% in the 2002 elections.<sup>6</sup>

The counter-argument that swayed the SDL to enter the government was undoubtedly the »need to be there« at the privatisation feast. This is where the paradox of a »pro-transition left« is fully revealed. As stated above, privatisation is the very bedrock of transition; the perceived goal of politics (in Slovakia at least) quickly became to secure the economic foundations of the political parties through the participation in it. A pro-transition left party cannot afford to be left out when the state is being carved up – or at least, that is what it believes. Yet at the same time, it is meant to be the voice of the very people who are losing out on the carving, indeed are mostly suffering as a direct result of it. It is difficult to see how it is possible to achieve both at the same time.

Obviously, this paradox can be overcome – at least it seems that it has been, in more than one transition country. The peculiarity of Slovakia consisted in the fact that the Left was unable to grab its portion of the privatisation pie alone; it had to rely on its right-wing »friends« – who of course were no friends at all. The Right, after having been thoroughly defeated in the 1992 elections, slowly regained its strength by the classic Gramscian strategy (as described by Susan George in her (1997)) of building up a network of think-tanks of »independent experts« and gradually converting all the media to its cause. (Today, there is not a single left-of-the-centre daily newspaper in Slovakia, not to mention commercial TV or radio stations.) These the Right utilized to the full in its effort to destroy the Left.

So while the Left-Right anti-Mečiar government happily shared out whatever was left of the privatisation spoils, thus continuing the Mečiar practice they used to criticise so sharply, the spotlight was firmly only on the SDL. With a scandal after scandal, the impression was created of a singularly corrupt party (whereas, of course, it was doing no more nor less than its partners in government). At the same time, the media resources were used to hammer down the people's throats the suggestion that any problems they felt were due to the lack of progress with »the reforms«, which in turn were due to the SDL blocking them.

Actually, there was more than a grain of truth in this last accusation, in the sense which is only now fully obvious. The SDL, true to being the »soft« wing of neoliberalism, was strongly opposed to the sort of measures that the »hard« Right was toying

with – measures which today the government is adopting with hardly any opposition. However, the SDL was unable or unwilling to get this message across while in government, not wishing to appear as an »anti-reform force« (the brush with which Mečiar was so effectively tarred).

As a result of this media strategy, the SDL-connected capitalists gained a lot of the former state property, but the party lost its soul – and most likely its political life as well. Suffering a badly damaging split not long before the 2002 elections (into »the modernizers« and »the bolsheviks«, or »the rightwingers« and »the true left«, depending on one's political's allegiance), the party gained 1.36% of the vote in the elections, pretty much the same as the splinter (1.79%), both thus failing to get over the 5% threshold for entering the parliament. The Left is now represented only by the reconstituted Communist Party of Slovakia (KSS), a Stalinist outfit proudly claiming its allegiance to the pre-1989 regime with all its »deformations«, which gained 6.32% of the vote in the elections (entering the parliament for the first time since 1992), and – perhaps? – by Robert Fico's SMER.

### **SMER – »actually existing social democracy«?**

The qualification is well placed. After Fico split away from the SDL, he founded SMER as an explicitly »non-ideological«, »pragmatic«, »managerial-type« party interested only in »solutions«, regardless of whether they were »of the left or the right flavour«.<sup>7</sup> In its actual programme it is culturally a fairly nationalist and in economic terms a fairly neoliberal party – the usual weird mix typical for transition politics. It can be thought of as yet another incarnation of the »soft« wing of neoliberalism, now that HZDS in a desperate effort to gain credibility abroad is undergoing an evolution into an explicitly right-wing party, to be culminated in the re-christening of the grouping as the »People's Party«. SMER chose to attach a different appellation to its name, namely »the Third Way« (on Blair's, not Ota Šik's model) and since the 2002 election, in which it did not do as well as expected, is consciously repositioning itself as »an alternative to the right-wing government« (though it has yet to spell out the obvious, i.e. that the alternative to the Right is the Left). SMER has made overtures to the Socialist International, as well as to the now-tiny parties of left, aiming to become the hegemonic force of the social-democratic spectrum. It is scoring some successes; at least one of the left grouplets has already agreed on a merger, and the Party of the European Socialists has chosen SMER as its favourite for the coming European Parliament elections.

As has already been said, SMER is on the »soft« wing of the neoliberal spectrum – rejecting, for example, the government style of pension reform – and in this sense it is indeed a left-wing party. It carries no social-democratic (nor post-Communist) ideological baggage, however, and it is hard to predict how its principal founders (and funders!) would react to adopting it. Given that it has proved to be flexible to say the least in its manouvres through the political space, it is also difficult to tell what exactly would be its behaviour in government. Positioning itself as the principal alternative to the unpopular Right may well be just an expression of smart political sense, rather than real ideological conversion. At best, it should thus be seen only as »actually existing social democracy« – in the same sense as the pre-1989 regime called itself the »actually existing socialism«.

## The Next Act?

As for the Right, since 2002 it is finally ruling independently and practically unopposed, (under Mikuláš Dzurinda, who also headed the previous government). The results have not long been in coming. The government agenda reads like a right-winger's Christmas wish list, as has already been mentioned at the beginning of this article. On the international front, it is an unflinching ally of the United States, dragging Slovakia (despite the unconditional opposition of 75 % of its population) into the »Coalition of the Willing« and thus becoming a prime example of a »New Europe« satellite.

In a welcome and unexpected development, the opposition to its policies has come not just from the parliament (which, as has already been pointed out, is virtually a Left-free zone), but from the trade unions, previously attempting to stick to a consistently »non-political« stance.<sup>8</sup> When at the beginning of 2003, many »unprofitable« railway routes were closed down in preparation for the privatisation of the network, the railway unions initiated the first major strike dispute since 1989. The strike, planned to be indefinitely long, had a massive public support; yet, after only three days, it was defeated by a court order. The courts were asked to rule on the legality of the strike and while the matter was being considered, ordered the strikers to postpone the action. The railway union caved in, and although the court action was months later found to have been inappropriate, the intimidation and threats experienced by the railway workers in the meantime were sufficient to prevent any repetition of the action to this day.

The government, however, has also become deeply unpopular in the meantime and can be expected to become even more so as the tax reforms bite (meaning a rise in the prices of the basic necessities as a result of the raising of the VAT). Various privatisation scandals have destroyed any credibility of the notion that »the democrats« (as the Right has been styling itself in its fight with Mečiar) are any different from the rest. And the main trade-union confederation, while failing miserably in its attempts to build a general strike (not to be confused with the railway strike mentioned above), has been very successful in an openly political venture. Under the Slovak constitution, the president is obliged to call a referendum if at least 350.000 people demand it. In just two months, the trade unions managed to collect almost twice that number of signatures – 600.000 – under a petition demanding a referendum on the »the curtailment of the term of the Mikuláš Dzurinda government«.

The referendum is strongly supported by the opposition parties, notably SMER and the Communist Party. There are some signs and suggestions that the trade-unions see themselves as partners of SMER, which stands at almost 30 % in the public opinion polls and looks set to gain significantly from possible early elections. There are several hurdles to be overcome yet, however.

First the president must accept at least 350.000 signatures as complete and genuine (there already is a precedent of this requirement having been deemed unfulfilled). Next, the government is banking on not enough voters turning up for the referendum – to be declared valid, the turnout must be at least 50 % and this stringent condition has only ever been fulfilled once in the several attempts since the independence – namely in the EU referendum – and not by a very large margin. Finally, even if the referendum is declared valid and the voters do reject Dzurinda's government, the Right is hoping that the somewhat unclear wording of the constitution may allow

it to regard the results as not being legally binding. It may well be wrong in this last expectation, however; if it indeed does come to pass that the majority of the voters demand the resignation of the government, then it may simply become *politically* impossible to carry on, regardless of technicalities. However, let us not be too optimistic; this is Slovakia, after all, and many rules of political life common in the West do not apply here.

The future shape of Slovak politics is thus difficult to predict. It is clear that politically speaking, the Left is at its lowest ebb since before the Second World War. Yet the social circumstances that could provide the soil for its eventual strong revival are being created on a daily basis. There is all to play for. Will anyone take up the challenge?

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## Endnotes

- 1 All measures contained in the Government's Programmatic Statement (see »Programové vyhlásenie vlády Slovenskej republiky« – [http://www.vlada.gov.sk/dokumenty/programove\\_vyhlasenie\\_vlady-20021104.rtf](http://www.vlada.gov.sk/dokumenty/programove_vyhlasenie_vlady-20021104.rtf))
- 2 This is openly admitted even by the neoliberal »reformists« themselves: »The second great difference between privatisation in Czechoslovakia and privatisation in market economies was the difference in the volume of property to be privatised and the volume of savings. This difference was so great that it in itself turned privatisation in Czechoslovakia into a totally unique process.« Husák 1997, p. 195
- 3 »The advantage [of voucher privatisation] is ... also mass opportunity to privatise for all the interested citizens« – Mikloš 1997, p. 50. The author is a neoliberal economist, currently serving as the Finance Minister of Slovakia.
- 4 An interested reader will find more detailed accounts of Mečiar's rule – from the right-wing perspective, generally speaking – in Leško (1996), Szomolányi (1997), Žiak (1996), Žiak (1998). For accounts of particular episodes, see also Gál (1991), Rothmayerová (1997).
- 5 It is revealing that while the right-wing opponents of Mečiar see themselves as representing the »rational« part of the population, they have no problem with class analysis (although they would of course not call it that) on this particular point – see e. g. Mikloš (1997), Žiak (1998).
- 6 Although it needs to be said that SMER's standing in the public opinion polls was much better in the lead-up to the elections, and thus the results were relatively disappointing for the party.
- 7 »Since its creation in 1999, SMER defines itself in its programmatic documents as a *pragmatic* and a *rational* party, searching for solutions which are effective and forceful in changing the life of Slovaks and the national minorities for the better. *SMER consciously rejected barren discussion among the parties and politicians about Left and Right. It put into forefront the values of order, justice and stability.*« »The Third Way«, a SMER programmatic document, SMER party website – emphases in the original.
- 8 For an account of the trade-union »non-political« strategy, see Stein (2001).