*Marko HOČEVAR**

THE CRISIS OF 2008 AND THE RISE OF THE SLOVENIAN CONSOLIDATION STATE

Abstract. *The purpose of the article is to explain the creation of the Slovenian debt state and its transformation into a consolidation state after the crisis of 2008. When the crisis struck Slovenia in 2009, the banking system was near collapse. Through the recapitalisations of the banking system the public debt began to grow. After a couple of years and under the structural pressures of rating agencies and pressures from the EU, the Slovenian state had to adopt austerity measures to consolidate its public finances, while limiting the scope of democracy. The main finding of the article is that the crisis of 2008 fundamentally changed the Slovenian state.*

Keywords: *capitalist state, consolidation state, debt, Slovenia, democracy*

Introduction

In the EU context, the crisis of capitalist accumulation in 2008–2009 quickly became a crisis of sovereign debt (see Streeck, 2012; 2016; 2017; Lapavitsas, 2018; Varoufakis and Holland, 2012). The reason was simple – the deep recession of the entire capitalist economy meant the capitalist states were forced to step in to save capitalism from itself. States thus took over the debt of banks and large companies since they were allegedly 'too big to fail' by borrowing money by issuing government bonds. Streeck explains this process as the rise of the debt state (Streeck, 2015). This led to a rapid rise of public debt and fiscal deficits that were problematic in the context of the EU and EMU. Namely, the Maastricht criteria and the Stability and Growth Pact are strict concerning the highest ratio of deficit and debt to GDP permissible. Namely, the deficit-to-GDP ratio should not exceed 3% while the debt-to-GDP ratio is set at 60% (Treaty on European Union, 1992; European Council, 1997). Most states were exceeding these limits (Streeck, 2015; 2016; 2017).

The states were accumulating debt to prevent their economies collapsing. However, this "made 'financial markets' suspicious about states' capacity

* *Marko Hočevar, PhD, Teaching Assistant, Faculty of Social Sciences, University of Ljubljana, Slovenia.*

DOI: 10.51936/tip.58.2.305-321

to live up to their obligations as debtors" (Streeck, 2015: 7–8). Hence, the 'financial markets' together with the rating agencies began to lower the credit ratings of states, leading to rise in premiums on state bonds. This pushed many states into a very difficult position (Streeck, 2015; 2016; 2017). States wished to avoid bankruptcy and restore the confidence of financial institutions and financial markets in their ability to repay their debt. If they wanted to obtain help from the ECB, IMF and EC they had to accept very tough policies oriented at fiscal consolidation. The most important goal of policies in European countries therefore became fiscal consolidation via austerity. Accordingly, these processes led to transformation of the capitalist state, its policy objectives, scopes of action, and rationality. The consolidation state began to emerge (Streeck, 2015; 2017) in which the central banks became ever more independent of democratic influence, they "rise to become the principal agents of economic policy, political decisions with far-reaching social consequences move out of the purview of parliaments and elected governments" (Streeck, 2015: 25). Debt limits were inscribed in national constitutions as well as laws prescribing a balanced budget. Markets became the main political actors, leaving almost no space for any kind of democracy (Streeck, 2015: 25).

We argue that this trajectory is also visible in Slovenia, which was seen for long time as having a transition distinct from other post-socialist countries (Stanojević, 2014). However, Janša's first government (2004–2008) started to introduce radical neoliberal measures while also enabling many companies and managers to obtain cheap loans. When the crisis hit the Slovenian economy, it was soon clear that these debts could not be repaid, requiring multiple recapitalisations of the banking sector which, in turn, radically increased the state's public debt. Moreover, from 2008 to 2013 the Slovenian economy twice experienced a deep recession. Every crisis and post-crisis government in Slovenia was determined to curtail public debt in order to prevent the Troika intervening. The only way to lower public debt acceptable to the capitalist class, financial markets and European institutions was to cut public expenditures by launching radical neoliberal reforms. Thus, the Slovenian consolidation state began to emerge.

The article focuses on two main research questions: 1) What were the main causes for the rise of the Slovenian debt state? 2) How was the Slovenian debt state transformed into a consolidation state? To explain how the Slovenian debt state was created and transformed into a consolidation state, we combine various statistical data with detailed analysis of strategic state documents from 2004 onwards. The analysis is based on: 1) Foucault's methods of archaeology and genealogy (Foucault, 1984; 2011) for explaining various acts, strategic documents etc.; 2) Wolfgang Streeck's (2015; 2016; 2015) theoretical and methodological approach for explaining different policy measures; and 3) Marxist political theory. In this context, the article makes two original scientific contributions: first, it explains the specific circumstances making Slovenia become a debt state; second, it explains the rise of the Slovenian consolidation state in the context of the 2008 financial crisis and the EU framework by presenting statistical data as well as an interpretative analysis of various strategic documents, public policies and measures.

The article initially explains the rise of the debt state in Slovenia due to both the neoliberal policies adopted by Janša's first government and European integration processes. After that we analyse the fiscal consolidation policies and the public-debt-reduction attempts of the three crisis governments led by Borut Pahor, Janez Janša and Alenka Bratušek and the post-crisis government of Miro Cerar by considering policy measures, statistical data and analysis of strategic documents. In the fourth section we discuss the impact of the transformation of the Slovenian state on liberal democracy in Slovenia. In the conclusion we answer the two research questions and highlight the possible impact of the Covid-19 crisis on the Slovenian state.

The crisis of capitalism and the rise of the Slovenian debt state

After the downfall of socialist Yugoslavia, Slovenia was considered a success story in its transition from socialism to capitalism, within the context of state's transformation and introduction of liberal democracy. The specific gradualist approach to the transition adopted in Slovenia was the crucial element for avoiding the "economic shock doctrine" (Klein, 2010). A strong neo-corporatist system emerged that was led by a centre-left political party LDS, which held power almost continuously from 1992 till 2004. This neo-corporatist model was based on the state playing a strong role in regulating economic relations, very strong trade unions, and a consensus between the political and economic elites and trade unions regarding the main goal of the state – to become an EU member state. Slovenia joined the EU in 2004 and had no problems fulfilling the Maastricht criteria because it had a very low deficit and a low public debt to GDP ratio, both below the EU average (Crowley and Stanojević, 2011; Stanojević, 2014; Stanojević and Furlan, 2018).

However, everything changed in 2004 when Slovenia became an EU member state. The left-centre LDS lost the elections and a new government was formed under the neoliberal and neoconservative SDS. Janez Janša was appointed prime minister. During Janša's first term in office, the overriding rationale behind all policies was to make a break from gradualism and introduce neoliberal reforms (Stanojević, 2014; Stanojević and Furlan, 2018). The policies of Janša's government from 2004 until 2008, such as tax cuts, huge public spending and the attempt to create a economic elite by way of "accumulation by dispossession" (Harvey, 2003), are the biggest reasons Slovenia became a debt state after 2008.

During Janša's first term, economic growth was high, the unemployment level really low, and the public debt to GDP ratio was also low. Yet, this was a consequence of the high public expenditure, low taxes, and extremely high debt levels of the economy and the banks (Mramor, 2018: 22–23). Janša's first government adopted various tax reforms that in fact were 'tax gifts' to company owners and to the richest: by lowering the tax rates on capital gains, abolishing the payroll tax and in 2007 reducing the progression of personal income tax (Drenovec, 2015: 155). Moreover, during his entire first term Janša opposed the idea of increasing public sector wages, only to do precisely that before the 2008 elections in a pre-election attempt to garner more support. This all happened just before the outbreak of 2008 crisis and created many problems in the following years (Mramor, 2018: 22; Breznik and Furlan, 2015: 181–182; Mencinger, 2012: 66; Drenovec, 2015: 155). The tax gifts to the richest amounted to almost EUR 600 million, meaning the budget lost EUR 600 million in revenue per year; before the crisis 1.5% of GDP and after the crisis 2.3% of GDP. This deficit was a direct consequence of the neoliberal policies and the tax gifts for the richest. The tax gifts handed out by the first Janša government until 2015 were estimated at around EUR 5.1 billion (Drenovec, 2015: 159).

The key reason for the higher public debt in Slovenia after 2008 was the banking sector's recapitalisation from 2011 until 2014[1] needed due to the 'bad loans' of the banks related to attempts to create a new economic elite during Janša's first government. Janša's goal had been to establish a new economic elite close to his right-wing political party through various buy outs and takeovers by company managers[2]. Since these managers did not have enough money, this process was only enabled by the banks engaging in extensive lending. These processes of privatising state-owned companies are examples of "selective privatisation" (Stanojević, 2014: 107; see also Stanojević and Furlan, 2018: 15).

[1] *Due to the dispute between the Ministry of Finance and the Bank of Slovenia over the recapitalisation of the banks, the recapitalisation was at the beginning too small and also too late. Many EU member states recapitalised their banking system already in 2009–2010, yet Slovenia only did so in 2013–2014. If the recapitalisation had occurred earlier, it would have required less funds for the recapitalisation and the state would also have avoided the new "bail-in" rules of the EC, in turn also meaning that the country would not have sold all of its banks (Mramor, 2018: 23–24).*

[2] *The two most notorious stories are those of Igor Bavčar, the head of Istrabenz, and Boško Šrot, the head of Pivovarna Laško. Istrabenz took over the companies Droga and Kolinska, which were merged, and also many hotels along the Slovenian coast. Pivovarna Laško took over the Delo newspaper, the companies Radenska and Fructal. Together, they took over shares of Mercator (Žerdin, 2012; Cirman and Vuković, 2017; Modic and Vuković, 2019).*

However, the banks did not possess sufficient funds for these operations since deposits in the banks were only growing as much as nominal GDP. When the European financial markets were opened up, Slovenian banks obtained access to cheap money. The banks' high borrowing was the sole way to secure the money needed for the buy outs and takeovers, in later years explaining the huge rise in public debt[3] (Mencinger, 2012: 74–75; Breznik and Furlan, 2015: 174–177; Drenovec, 2015: 160–163).

Table 1: GDP COMPONENTS AND GROWTH IN SLOVENIA, 2008–2018

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Output at basic prices (mill EUR)	76,039	68,587	70,540	71,951	69,675	69,224	71,231	73,131	74,998	81,499	87,602
Intermediate consumption at purchasing prices (mill EUR)	42,834	36,862	38,846	39,686	38,199	37,715	38,699	39,539	40,046	44,149	47,764
Total gross value added at basic prices (mio EUR)	33,204	31,725	31,693	32,266	31,475	31,509	32,532	33,592	34,953	37,35	39,838
Net taxes on products (mill EUR)	4,721	4,53	4,67	4,793	4,778	4,946	5,102	5,261	5,414	5,637	5,916
Gross domestic product, current prices (mill EUR)	37,926	36,255	36,364	37,059	36,253	36,454	37,634	38,853	40,367	42,987	45,755
Gross domestic product, real growth rate (%)	3.5	-7.5	1.3	0.9	-2.6	-1.0	2.8	2.2	3.1	4.8	4.1

Source: SORS, 2020a.

When the crisis started, the recession in Slovenia was one of the deepest in the EU. The real-estate bubble burst and the stock market also suffered a huge blow. Loans had been secured through stocks and real estate, which were both extremely overrated. A problem occurred when the markets collapsed, with Slovenian banks having to repay their debts but being unable to do so because most loans they had granted for the mentioned buy outs and takeovers were bad loans. Bad debt soon accumulated and the burden fell on banks. The only possible solution was to recapitalise the banking sector multiple times. From 2011 to 2014, the state spent approximately EUR 5.9 billion to rescue the banking sector. Between 2013 and 2014, on the recapitalisation of four banks (Abanka, NLB, NKBM, Banka Celje) the state spent EUR 3.2 billion, or 8.7% of GDP; and a further EUR 1.6 billion was taken by the DUTB, the 'bad bank' established for the purpose of buying bad loans and risk assets from the Slovenian banks, and an additional EUR 600 went to 'help' Greece and the ESM. An important factor was also the multiplier effect of these measures and policies (Drenovec, 2015: 155–159; MF, 2015).

[3] Moreover, Pahor's government, which succeeded Janša's first government, increased wages in the public sector, pensions and the minimum wage. The government did not increase its spending on investments and did not recapitalise the banking system. As a result, the deficit rose to 6% of GDP and the government had to borrow more than EUR 7 billion to finance its deficit (Damijan, 2013).

Table 2: DEFICIT AND PUBLIC DEBT, SLOVENIA, ANNUALLY

	Current deficit (mill EUR)	Current deficit (% GDP)	Government debt (mill EUR)	Government debt (% GDP)
2018	329.65	0.7	32,222.94	70.4
2017	-20.69	0.0	31,862.74	74.1
2016	-776.15	-1.9	31,756.03	78.7
2015	-1,106.32	-2.8	32,087.41	82.6
2014	-2,072.59	-5.5	30,219.91	80.3
2013	-5,314.55	-14.6	25,520.06	70.0
2012	-1,448.21	-4.0	19,417.68	53.6
2011	-2,456.74	-6.6	17,216.62	46.5
2010	-2,036.26	-5.6	13,916.19	38.3
2009	-2,107.47	-5.8	12,517.54	34.5
2008	-528.60	-1.4	8,262.47	21.8
2007	-17.19	0.0	8,013.61	22.8
2006	-387.39	-1.2	8,201.51	26.1
2005	-385.51	-1.3	7,685.63	26.4
2004	-536.26	-1.9	7,431.21	26.9

Source: SORS, 2020b.

Thus, the combination of internal and external factors and policies was the prime cause of the rise of the country's public debt before and after 2008. The Slovenian debt crisis was the outcome of the banks' huge foreign debt created in the period 2004–2008 as part of financing the creation of a (right-leaning) capitalist elite and which became nationalised and socialised via the banking sector's recapitalisation and the creation of the DUTB (Drenovec, 2015: 161). Crucially, in the period of the Bratušek and Cerar governments these banks were all sold off to foreign capitalist investors well below market value (see Hočevar, 2020).

The tax reforms of Janša's first government and the socialisation of the banking sector's losses, mostly a consequence of the policies of Janša's first, led to serious threats of intervention by the infamous Troika. By January 2012, three critical rating agencies (Standard & Poor's, Moodys, Fitch) had lowered their credit ratings for Slovenian government bonds, creating big structural pressure on the state. The international markets were keen to send the Troika to Slovenia and to establish a technocratic government (Breznik and Furlan, 2015). There was huge pressure to cut the deficit and balance the state budget so as to meet the requirements of the Maastricht Treaty and the Stability and Growth Pact. Austerity and consolidation were to be implemented at any cost in order to satisfy both the international financial markets and the EU institutions. This was said to be the only way to save the country from bankruptcy. In this context, changes in the Slovenian capitalist state became visible and the Slovenian consolidation state began to emerge.

Neoliberalism and the rise of the Slovenian consolidation state

To explain the rise of the Slovenian consolidation state, we now explain the essential policies and measures imposed by various governments to lower public debt and balance the budget. This analysis is complemented by a concise review of crucial strategic documents of the Slovenian state between 2008 and 2018 and statistical data[4].

In 2010, the government of Borut Pahor approved certain measures aimed at fiscal consolidation, including restrictions on pensions, social transfers and public-sector wages. The government also introduced guarantees for liquidity deposits, bank guarantees, and aid to export-oriented companies. These initial measures already expanded public debt, although it should be noted that the crisis was not so deep and radical because wages had just been increased before the crisis and consumer patterns remained unchanged until 2011. Yet, by 2011 real GDP had fallen sharply and the unemployment level was very high, especially among youth, which was partly a result of the lower exports (Breznik and Furlan, 2015: 193; Drenovec, 2015: 156).

In the wake of the crisis, the Pahor government started to prepare measures to reduce long-term spending. Various measures were in the spotlight: pension reform, social system reform and reform of the labour market, especially "mini jobs"[5]. The trade unions were opposed to both the pension and labour market reforms because they had not been coordinated with the social partners through the social dialogue. In April 2011 a referendum was held where the labour markets reforms were rejected. After that, a triple referendum was held in June 2011 in which the government suffered a defeat, with the opposition and trade unions successfully stopping the implementation of the reforms[6]. At the same time, there was a huge drop in GDP, youth unemployment reached almost 21%, wages fell and unemployment doubled (Bembič, 2013: 89; Breznik and Furlan, 2015: 193; Mramor, 2018; Brezovšek, Haček and Kukovič, 2016: 281).

Interest rates on bonds issued by Slovenia had risen sharply, pushing the state ever closer to the edge of a cliff. It seemed that only one option was left if the Slovenian state wished to avoid the Greek scenario – to implement

[4] Using the critical discourse analysis and Foucault's archaeology we analysed the strategic documents adopted by Slovenian governments from 2008 onwards: GRS, 2010; 2017; ME, 2013; MPA, 2015.

[5] Mini job is a temporary or occasional work or more permanent short-time work.

[6] Pahor's government claimed in the Slovenian exit strategy that the government's primary goal was to formulate a "a medium-term strategy for reducing the structural deficit, and more importantly ensuring the sustainability of public debt" (GRS, 2010: 5). Even more importantly, the "guiding principle for the formulation of economic policy measures is the consolidation of public finances, which will be achieved by reducing expenditure rather than increasing tax burdens" (GRS, 2010: 2).

austerity measures and to create a consolidation state. This was the context in which fiscal consolidation policies were introduced and Slovenia became a consolidation state via privatisations and austerity measures that favoured the rich and the wealthy.

First, the class character of the emergence of the consolidation state is visible in the nature of the tax reforms adopted to ensure a balanced budget and to cut the level of public debt. Namely, a decline in tax revenue can be seen after 2008. Although, as explained above, the crisis was caused primarily internally by the attempt to create a new class of capitalists and the tax gifts for the richest, in fact the tax reforms did not take more from the richest but were dispersed in such a way as to affect the entire population. The tax reforms were mostly focused on increases in indirect taxes such as value-added tax (normal rate from 20% to 22%; lower rate from 8.5% to 9.5%); excise duties on fuel, liquor and cigarettes; a tax on financial services was adopted in 2012 and amended in 2014. However, a property tax that would have affected the wealthiest was never adopted and the corporate income tax was reduced and has remained low (Breznik and Furlan, 2015: 193; Drenovec, 2015: 159; Verbič et al., 2016: 213–216).

Second, the external pressures and the threat of the Troika's intervention created great pressure to implement austerity measures through cuts in public spending. During Janša's second government, which was short-lived, public debt began to grow and the new coalition planned to reduce public debt to below 45% of GDP (Coalition agreement, 2012). The government's explanation was that the Troika could otherwise take over the management of the state and that it was necessary to begin with public spending cuts to regain the confidence of international financial markets and institutions. From 2011 to 2012, the funds for social assistance and child allowance were lowered significantly. To reduce public debt, Janša's second government acted in a procyclical manner and adopted the Fiscal Balance Act (FBA), which introduced radical austerity measures. FBA brought a lowering of the public sector wage scale by 8%, a radical cut in social spending by reducing social rights, lower child and parental benefits, and unconstitutionally decreased the pensions of some 28,000 pensioners (Breznik and Furlan, 2015: 211).

Moreover, FBA proved to be catastrophic for the nation's capitalist economy and the state's GDP with a direct consequence of FBA being a massive drop in the internal aggregate demand of households (Mencinger, 2014: 19). Thus, in 2012 state expenditures were cut by EUR 985 million and revenues fell by EUR 105 million. Public sector spending decreased by EUR 151 million, spending on social transfers by EUR 171 million and on investments by EUR 624 million (Damijan, 2013). In 2013, the government of Alenka Bratušek selectively lowered certain wages in the public sector by up to 4.5%[7] (Furl The National Assembly The National Assembly an and Breznik, 2015: 212). These public-sector wage reductions slashed "government consumption and thus the production of public sector services, leading to a decline in total GDP" (Verbič et al., 2016: 219).

Despite FBA, the bank recapitalisations and the other austerity measures, the international organisations were still not satisfied. In response to the rise in the premiums on national bonds and the internal and external pressures, in 2013 the 'fiscal rule' was inscribed in the Constitution of the Republic of Slovenia and in 2015 later also codified in the Fiscal Rule Act, both being a consequence of the Stability and Growth Pact. This should be viewed as the third dimension leading to the rise of the consolidation state in Slovenia.

During the mandate of the Bratušek government, in May 2013 and with a two-thirds majority Article 148 of the Constitution was amended in order to limit the country's deficit and public debt. The National Assembly thereby approved an amendment to the article in the Constitution which provides that the goal of the state is a balanced budget, without borrowing, and the goal is that revenues exceed budget expenditures. Now, it is a constitutional norm that the budget must be balanced and that all revenues and expenditures "of the budgets of the state must be balanced in the medium-term without borrowing, or revenues must exceed expenditures. Temporary deviation from this principle is only allowed when exceptional circumstances affect the state".

In addition, the government of Miro Cerar adopted the Fiscal Rule Act in 2015 as a more concrete definition of the fiscal rule in order to balance the budget. Article 3 of the Fiscal Rule Act states that the budget

> *of the state shall be balanced in the medium term without borrowing, if the structural balance of the general government sector in an individual year is not lower than the minimum value as defined in the ratified international treaty on stability, coordination and governance in economic and monetary union, and in the medium term is at least in balance or in surplus.*

Changes to the Public Finance Act in 2009 also led to the Fiscal Council being established, a technocratic institution without any democratic legitimacy. The Fiscal Council is "an independent and autonomous state authority supervising the management of the fiscal policy. Its fundamental task is to monitor the compliance with the fiscal rule, the medium-term balance

[7] *The government of Alenka Bratušek stressed the need to consolidate public finances through two crucial measures: rationalisation of public spending, mostly via lowering wages in the public sector, and, if necessary, by raising value-added tax (Coalition agreement 2013, 2013: 2).*

between revenue and expenditure without borrowing, except in exceptional circumstances"[8] (Fiscal Council, 2020).

The fourth dimension in these processes is the project of privatisation of the nation's companies and banks. Until 2008, as already explained, the concept was to create a national bourgeoisie. In this context, the national banks gave very cheap loans to 'tycoons' to assist them in buying out and taking over as many companies as they wanted. The two most notorious examples are Igor Bavčar and Istrabenz and Boško Šrot and Pivovarna Laško. In order to finance these takeovers, the banks also had to take out loans from other banks. When the crisis hit Slovenia and these managers and newly established owners of many companies were unable to repay these debts, the entire project of the national economic bourgeoisie collapsed and the state was forced to take over the bad loans from the banks[9]. In order to regain the confidence of the EU and financial markets, under the leadership of Alenka Bratušek the Slovenian government adopted the National Reform Programme 2013–2014 in which it proposed the privatisation of 3–5 state-owned companies. Yet, in June 2013 the National Assembly adopted a list of 15 state-owned companies due for privatisation. The list included the following companies: Adria Airways, Aero, Elan, Fotona, Helios, Aerodrom Ljubljana, Adria Airways Tehnika, NKBM, Telekom Slovenija, Cinkarna Celje, Gospodarsko razstavišče, Paloma, Terme Olimia Bazeni, Unior, Žito (Delo, 2013). Today, most of these companies are privatised, including NLB, the biggest national bank, which had to be privatised because of the EU's new 'bail-in' rules.

All of these measures proved to be counterproductive and in fact merely perpetuated the crisis and the recession in 2012–2013. That is, while the first drop in GDP in 2009 was due to the global crisis, the second was due to the austerity measures and fiscal consolidation policies in an attempt to fulfil the Maastricht criteria. Only after 2013 did the Slovenian economy begin to grow again, propelled by its export orientation. Public debt was rising until 2015, when it amounted to 82.6% of GDP, and only after then did the public debt to GDP ratio start to drop. Crucially, these trends were not the result of fiscal consolidation, despite the temptation to so argue, but more a consequence of the growth seen in other EU and non-EU countries since

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[8] *This comes not as a surprise but as a clear sign of a new rationality, best seen in the Strategy of Development of Slovenia 2030. It is argued that the crucial goal of Cerar's government was to improve the country's competitiveness. The best way to do that was to balance the budget "and the sustainable reduction of public debt" (GRS, 2017: 32). Hence, the government's main goal was "fiscal sustainability" (GRS, 2017: 32).*

[9] *In the years after 2010, the "comprador bourgeoisie" (Poulantzas 2008: 200) emerged, later playing a crucial role in numerous cases of foreign direct investment and the entry of foreign capital in Slovenia. This was best seen in the many cases of privatisation from 2011–2012 onwards.*

the Slovenian economy and its companies are mostly export oriented[10] (Mencinger, 2014; Mramor, 2018; Verbič et al., 2016: 223).

In order to rescue capitalism and stabilise the reproduction of capitalist accumulation in the competitive world system, Slovenia underwent a transition from being a debt to a consolidation state. Under the pressure of EU institutions, the capitalist class and financial markets, the political and economic elite pursued policies of fiscal consolidation in order to maintain the state's competitive level and attract new foreign investments. While the Slovenian state wanted to avoid the Troika, in the changed structural and cultural circumstances it had to start with strict austerity programmes, pass the FBA, adopt the fiscal rule, alter the Constitution of the Republic of Slovenia, and engage in accumulation by dispossession. The above-mentioned demonstrates that all governments – from right to left – ensured the costs of establishing the new capitalist class and "other costs of rejoicing the newly transitioned elites" were recovered "through taxes and spending on the weakest in society" (Drenovec, 2015: 159).

Transformation of liberal democracy in Slovenia

Slovenia is considered to be a consolidated democracy (see Fink Hafner, 2012: 208; Brezovšek, Haček and Kukovič, 2016). However, during the crisis, there were certain important changes, especially as regards the fiscal rule and the rise of technocracy. In May 2013, together with the fiscal rule, the National Assembly passed an amendment to Article 90 of the Constitution, which is about a legislative referendum. The Constitution forbids referendums "on laws on taxes, customs duties, and other compulsory charges, and on the law adopted for the implementation of the state budget". Thus, anything that is concerned with public finances is in the scope of technocracy while the people have no say in these matters: "With this constitutional change, the people lost access to political decision-making and the state became a machine for executing the instructions of international organizations whose most important goal is the privatization of state property" (Breznik and Furlan, 2015: 195). This measure was undertaken to provide a shield for the policies of privatisation and austerity. Therefore, Streeck's argument that the rise of the consolidation state "involves the insertion of a Chinese wall between the economy and politics /…/ which will permit the markets to assert their version of justice undisturbed by discretionary political intervention" (Streeck, 2017: 117) seems to be correct in the case of Slovenia.

The fiscal rule and the changes of the Constitution regarding the

[10] This is not surprising at all since, as Blyth (2013) empirically showed, the austerity measures and fiscal consolidation never produced the promised results but instead prolonged the period of recession.

possibility of a legislative referendum prevent any kind of democracy with respect to fiscal policies and public finances[11]. The fiscal rule is essentially a technocratic measure directed against the possible revolt of the people against austerity and fiscal consolidation. In this context the fiscal rule prevents the autonomous decision-making of any government:

> *On the international scene, Slovenian politics has taken the side of a hard line, which advocates the unconditional repayment of debts of debtor countries, regardless of the price that their citizens have to pay. The citizens here have faithfully accepted the recommendation of international organizations that democracy is harmful and that all we need is a 'technical government'.* (Breznik and Furlan, 2015: 169)

The fiscal rule in all its dimensions also means that the Slovenian capitalist state in practice became a tool in the hands of the international financial markets and that is directly fulfilling tasks set by international financial capital, most importantly pledging itself to repaying its debts and ensuring a strong framework for the stability of capitalist accumulation, chiefly by creating a favourable tax environment for investments of domestic and foreign capital by not raising tax levels (see Breznik and Furlan, 2015: 195; Hočevar, 2020).

It is not surprising that in the crisis years the political parties more or less had the same programmes and all met the requirements and interests of the EU and financial markets. In this regard, it may be said that "the differences between the socio-economic policies of the various parties in power are diminishing, elections seem to be becoming less and less important" (Fink-Hafner, 2012: 209). Crucially, instead of the *demos,* a new concept of democracy and of the subject of democracy emerged. Stakeholders became the principal actors addressed by the state and government (see: GRS, 2017; ME, 2013; MPA, 2015) and liberal democracy became a *stakeholder democracy* (Hočevar, 2020).

Thus, although all important democratic practices remain stable – elections, parties etc. – there is a clear sign that the democracy has transformed. These important structural changes may also explain the dramatic drop in voter turnout at national elections – both parliamentary and presidential – and the great distrust shown towards political parties and democracy in Slovenia (Hočevar, 2020; see also: ESS, 2008; 2010; 2012; 2016; SEC, 2020a; SEC, 2020b). It seems that in Slovenia we can observe "a secular implosion of the social contract of capitalist democracy, in the transition to /…/ [a] consolidation state committed to fiscal discipline" (Streeck, 2017: 117).

[11] *Fiscal democracy "is essentially about the flexibility of fiscal resources /…/ that is, the proportion of tax revenue available in principle to be allocated to newly chosen, current purposes" (Streeck and Mertens, 2010: 6).*

Conclusion

In the article we have examined the transformation of the Slovenian state within the framework of the 2008 crisis. Our research confirms that the crisis of 2008 fundamentally changed the Slovenian state, which first became a debt state and was later transformed into a consolidation state. In the conclusion we outline the answers to the two research questions and highlight the possible impact of the Covid-19 crisis on the Slovenian state.

First, in the article we have explained the policies and measures that led to the creation of the Slovenian debt state and its transformation into a consolidation state. The main causes for the rise of the Slovenian debt state were primarily internal processes: 1) tax reforms and the tax gifts for the rich implemented during Janša's first government; 2) the attempt to create the national bourgeoisie during Janša's first government, which led to the accumulation of bad loans which resulted in the recapitalisation of the banking sector in the years after the crisis. These are the crucial reasons for the enormous rise of public debt after the crisis of 2008.

Second, regarding the transformation of the debt state into a consolidation state, we have identified four dimensions and sets of policies which acted as the cornerstone for regaining the confidence of EU institutions and financial markets: 1) tax reforms that have affected the entire population; 2) radical austerity measures and the adoption of the Fiscal Balance Act in order to decrease public spending; 3) the inscription of the fiscal rule in the Constitution of the Republic of Slovenia; 4) privatisation of state owned companies and banks in order to regain the confidence of financial markets. The vital goal was to establish a consolidation state, which was seen to be the only entity that could preserve the competitiveness of the Slovenian capitalist state[12] and economy.

The Slovenian state has become a peripheral state in the EU whose role is to secure the concentration of capital and wealth in the core states of the capitalist world system (Hočevar, 2020). In this way, the financial markets and global capital have forced the Slovenian state to act in a "depoliticised" way through technocratic regimes of governance and "relatively independent of formalized political institutions and decision-making processes" (Hirsch, 2014: 150). The Slovenian consolidation state has become devoted to 'market justice', which creates "a situation where political institutions [are] economically neutralized" (Streeck, 2017: 172).

Still, for a brief moment, these processes were at least partly reversed in Slovenia between 2018 and 2020. The minimum wage was raised mainly

[12] *As Cerny points out, fiscal consolidation is essentially the foundation of pursuing the competitiveness of the capitalist state in a time of neoliberal hegemony (Cerny, 1997).*

following the exclusion of additions from it. More importantly, the National Assembly almost adopted new act on medical security which could have brought an end to privatised medical insurance. The downfall of this act was one of the biggest reasons that the prime minister and the entire government resigned in February 2020. Since then, the new crisis and recession in the context of Covid-19 hold the potential to again turn things upside-down due to the rising public debt and deficit in order to prevent an even deeper recession. As Poulantzas (2014: 129) argued, if the state in capitalism is "the *specific material condensation* of a relationship of forces among classes and class fractions", then it is clear that the functioning of the Slovenian state, its apparatuses and the content of its policies depends primarily on class power relations and the political power of specific classes. How this permanent conflict and contradiction of capitalist society and politics is to be resolved in Slovenia under the third government of Janez Janša during the Covid-19 crisis has yet to be seen. We should not be surprised if the end result is "the completion of a Hayekian social dictatorship, in which the capitalist market economy was protected from democratic correction" (Streeck, 2017: 172).

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