The Decline from Semi-Periphery to Periphery as a consequence of Eurointegration: The Case of Slovenia

Unlike many post-socialist countries, Slovenia adopted the so-called "gradualist" model of transition from socialism to capitalism. In 1992 and 1993, massive workers' strikes were organized to oppose the privatization of production, the process that proved to be destructive in general and fatal for heavy industry in particular. Due to these strikes, the Slovenian political and economic elites reconsidered their sympathies with the so-called "shock doctrine" of the early nineties, adopting instead the "gradualist" transition model. This model was based on four premises: a) retaining state control over financial and key industrial sectors as well as infrastructure; b) slow and merely partial privatization of public institutions; c) maintaining social peace through high employment and national-level collective bargaining agreements; and d) export-oriented monetary policies (with relatively high rates of inflation). Those policies enabled Slovenia to maintain at least a part of its industrial basis that was inherited from socialism and was able to support a relatively wide set of welfare-state mechanisms and social protection.

However, the Slovenian "gradualist" model turned out to be temporary. At an early stage of the negotiations for the accession to the EU, Slovenia had to start adapting its fiscal and monetary policies in order to meet the Maastricht criteria. The lowering of inflation rates and similar measures worsened the position of the Slovenian light industry, which eventually lost its competitiveness. Hence, after the accession to the EU in 2004, Slovenia adopted a new development strategy with the construction sector as its flagship. Similarly to the case of Spain, the construction sector was booming as long as cheap credit flows existed, and accordingly went completely bankrupt almost immediately after the onset of the crisis. Thus, four years later, Slovenia is facing huge levels of private indebtedness and credit crunch, without having any development strategy. The only strategies that the current political elites in Slovenia are able to provide are austerity, privatization, and deregulation. With a radical right-wing political party leading the current government, the prognosis for Slovenia's future is anything but bright.

All this despite the fact that many economic indicators (deemed fundamental by the troika's own standards) place Slovenia in the upper part of the eurozone, and frequently even above the core economies themselves.

That the decline of yet another country is symptomatic of a neoliberal Europe goes without saying, but the particular case can be interpreted in two ways. Is it an epilogue, a very late demise of a post-socialist economy? Or is it rather a prologue, one narrating about the first country that has succumbed despite neither embracing financial markets with wide open arms like Island or Ireland nor really being part of the olive periphery that extends from Portugal to Greece?

Or will it?

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