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Slovakia's 'success story' from the perspective of debt and wealth

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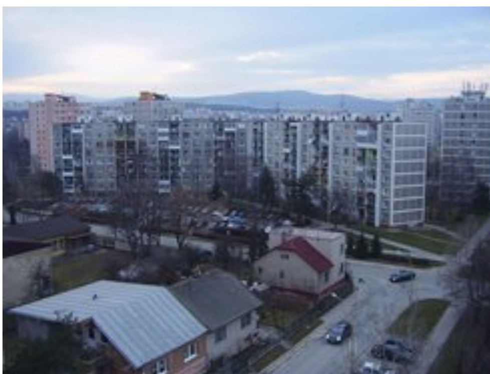
Having successfully kept the COVID-19 pandemic under control in the spring, Slovakia currently experiences a much stronger second wave and new record daily increases in cases are reported on a daily basis. However, another statistic also recently received attention in the country: the 2020 edition of *Allianz Global Wealth Report*, the well-known report on the assets and liabilities of households around the world. The media and commentators such as members of the pro-worker NGO Pracujúca chudoba (Working Poor) discussed the findings mainly in comparison with other Central and Eastern European (CEE) EU member states – with less than flattering results. The report shows that at the end of 2019, the average person in Slovakia held net financial assets (gross financial assets minus debt) worth €6,778, which placed the country in the proximity of Russia, Brazil or Mexico. The only country in the CEE region – or the whole EU, for that matter – with less assets per capita was Romania. At the same time, the average person in Slovakia had the second highest debt per capita (€7,990) among the 11 CEE EU member states; only the average Estonian owed more. Commentators pointed to other worrying indicators, such as the high share of households without financial reserves.



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Statistical averages can only tell us so much about any social phenomenon and the patterns of its distribution in actually existing populations. However, their strength rests in a (deceptive) ease of comparison. The way in which the discussion about *Allianz Global Wealth Report* focused on comparisons between Slovakia and its CEE peers is telling. It points to an increasingly apparent gap between the official representations of Slovakia and the lived realities of many citizens. In the 2000s, Slovakia was touted as the 'Tatra Tiger' for its neoliberal reforms and very high rates of GDP growth. Despite slower growth after the global financial crisis and deepening social tensions, political and economic elites and new upper middle classes continue to express a sense of (self-) satisfaction with what they often call the success story (*úspešný príbeh*) of Slovakia's post-socialist transformation. They point to various statistics for support, such as the ranking of CEE countries by GDP per capita, in which Slovakia tends to come close to the top. They also reference the outward signs of apparent private prosperity, such as the expensive new cars in the capital. The contradiction between such metrics and the findings of the Allianz report highlights one of the many issues with the narrative: the way in which it overlooks the issue of debt.

Much of the world experienced particularly fast growth in household debt in the 2000s. However, Slovakia's debt boom occurred especially in the last decade. In 2010, its 26% share of household debt in GDP was still the lowest in CEE. By 2019, it shot up to 45% - the *highest* in the region. In absolute terms, this translates into an average annual growth of 10%. For most of the decade, this was one of the fastest paces of growth in the entire EU. It was driven mainly by a mortgage boom, which the central bank tried to reign in by lowering ceilings on loan-to-value ratios, but without much visible success. Mortgage boom unfolded in tandem with a housing boom. In Slovakia's low-wage economy, the result was to make housing ever more unaffordable. One currently needs two average monthly salaries to buy one square metre of average residential real estate, or close to three salaries in the capital. In a setting without regulated public rentals, huge mortgage loans with long repayment periods are for many the only realistic path to decent housing.

Despite silencing of these issues in the success story narrative, they increasingly seep into public debate. A lot of attention has focused on the huge backlog of historical (pre-2017) debt enforcement proceedings sitting at Slovak courts; in 2018, there were 3.7 million such proceedings in a country of 5.5 million. Many of these old debts inflated by interest and debt enforcement fees originate in the unregulated and often predatory lending by non-bank creditors. In recent years, the right-wing populist party Sme rodina (We are a Family) has been campaigning on promises of debt write-off. Governments eased the situation by suspending inactive proceedings, though without write-off. They also made declaring personal bankruptcy easier and

more attractive, which led to an explosion in the number of people making use of this institute to get rid of debts that they cannot repay. However, pro-business commentators and the debt collection industry criticize even such measures for allegedly rewarding ‘non-payers’. At the same time, the discourse and practice of financial literacy becomes increasingly prominent as the would-be solution that puts the burden of responsibility for avoiding over-indebtedness (and securing one’s prosperity in general) unambiguously on the individual borrower. Numerous initiatives of the government, NGOs and the financial industry seek to quantify and measure financial literacy and incorporate it into mainstream curricula. Their standard feature are gloomy and moralistic statements about the low financial literacy of Slovaks in comparison with other developed countries. The issue of over-indebtedness is thus being forced into the familiar (neo-) liberal framework of personal responsibility that serves to blame individuals for what are in good part structural problems. In the meantime, the gap between the reality and the success story continues to widen.

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