

Politics drives economic package

By Jiří Pehe

The success of the package of economic measures announced by the government April 16 depends more on whether it can generate new political dynamism than on its ability to revive the economy. The slumping economy was clearly a compelling reason for adopting the set of austerity measures, but the ruling coalition's main problem was that it had lost its ability to lead and move forward.

The government's package is, above all, an important political exercise. The impression that the government has regained a degree of decisiveness and cohesion is, in a way, more important than the economic content of the package. That's because the underlying causes of the problems in the Czech economy are at least partly political.

The story behind the economic slowdown is people's lost trust in the government and a lack of attention paid by political leaders to the rule of law. Skyrocketing imports have been fueled as much by companies' demand for high technology as by people's overall lack of trust in the government. People tend to spend their money rather than save when they lack confidence in the system.

Should the package be successful, it could help the government change its image as a paralyzed, ineffective body. Consequently, such a development could generate enough social energy to overcome the sense of social and political malaise that has beset the coun-

try. Creating high expectations and presenting the package in a rather dramatic way was a step in the right direction for the government. It conveyed the message that the government is ready for action.

Unfortunately, the announced measures were only halfhearted, as they were not accompanied by personnel changes in the government. Christian Democratic Union Chairman Josef Lux admitted that ministerial changes were discussed, but the coalition leaders were unable to agree on the government's restructuring. This lack of change seriously undermines any improvements in the social mood the package was able to generate.

Ordinary people find it difficult to trust the same leaders who, in most cases, are being held responsible for leading society to the brink of social crisis. Introducing new faces to the government was the kind of political injection the package needed right from the beginning. In fact, to make the package look really credible, any changes should not have been limited to ministers, but should also have included — perhaps most importantly — Prime Minister Václav Klaus. After all, it was Klaus' nonchalance toward regulation and transparency of the market economy that is at the root of the current economic problems.

Another possible pitfall is that those required to enforce the measures — state employees — will be hardest hit by the government's austerity measures. Employees of

tax-collection offices have already warned that, in light of proposed wage controls, they will have little motivation to investigate and punish cases of tax evasion. The success of the package will depend on social peace, but trade unions' first reactions to the package has been rather negative.

Should the package not generate new social and political dynamism in a short period of time, the governing coalition may be doomed. The package, just like the coalition itself, is a fragile compromise. The failure to restructure the government is (as in so many other cases in the recent past) a result of the three coalition parties' inability to agree on a truly concerted action. What was supposed to be a display of the government's newly found resolve and unity was partly marred by politicking and haggling among the three parties over which ministers should be let go. The ultimate victim of a failure would not be the package but, rather, the government itself.

In discussing the contents of the package, Lux's Christian Democratic Union clearly differed from its two coalition partners in its opinions of what needs to be done. Lux advocated import tariffs, more government control and a radical restructuring of the government. Should the package fail, he is in a good position to disclaim responsibility. And Miloš Zeman's opposition Social Democrats would be waiting with open arms.

— *The writer is a political analyst based in Prague*