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Axe : Dynamiques du Capitalisme et Analyses Post-Keynésiennes

Eurozone periphery post-crisis

Financialisation and industrialisation in Slovenia and Slovakia

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Abstract: The article provides a comparative study of Slovenia and Slovakia to analyse the transformation of dependent accumulation regimes in the Eurozone periphery after 2010. The study of these two economies from CEE is particularly insightful to understand how the Eurozone countries from the industrial periphery coped with the challenges of restructuring after the outbreak of the crisis. The article combines dependency and régulationist approaches to study European asymmetrical accumulation regimes. We argue that the post-crisis economic trajectories in CEE continue to reflect main traits of the pre-crisis asymmetrical relationship with the core. The key vulnerabilities are linked to the on-going reliance on FDI for export industrialisation, the narrow export specialisation, and, particularly in Slovakia, a rapid expansion of household debt. In Slovenia, under the EU supervision, the pre-crisis private debts were shifted to the public sector and henceforth burden public investment. Our findings suggest that financialisation as well the Eurozone monetary constraints should be systemically included in the analysis of post-crisis CEE growth trajectories. In addition, despite economic recovery, the accumulation regimes at Eurozone industrialised periphery continue to exhibit strong anti-labour bias.

Keywords: Eurozone crisis, uneven development, financialisation, Slovakia, Slovenia

JEL Codes: O11 - Macroeconomic analyses of economic development; O19 - International Linkages to Development; Role of International Organizations; P16 - Capitalist System: Political Economy

Eurozone periphery post-crisis

Financialisation and industrialisation in Slovenia and Slovakia

1. Introduction

The eastward enlargement and the integration of the countries from Central and Eastern Europe (CEE) into the European Union (EU) and the Eurozone are generally considered as being economically successful. For sure, the outbreak of the post-2007/08 global crisis and the general downturn of the region in 2008 and 2009 did question the capacities of the CEECs to secure the rapprochement with the North-Western Europe. Recall, Hungary, Latvia and Romania were the first to be obliged to resort to the financial packages, orchestrated by the International Monetary Fund and the European Commission (EC). Nevertheless, with an average annual economic growth of 2.7% between 2010 and 2017, compared to 1.3% of the Eurozone-12 (Eurostat), the CEE economies have for the general public once again “become the bright spot of the European convergence story” (Tolosa and Sleptsova, 2017), as the Financial Times claimed recently. This article questions such optimistic evaluation of the post-crisis performance of CEE economies. Such evaluation focuses to narrowly on GDP dynamics without considering its underlying structures and drivers.

In fact, the outbreak of the global financial crisis and its prolongation with the Eurozone crisis triggered a vivid debate on the European uneven development (Nölke, 2016). Many studies look at different crisis manifestations and national governments’ responses to the crisis (Álvarez Peralta et al., 2013; Caporaso and Rhodes, 2016; Jäger and Springler, 2015). While in some countries the GDP growth resumed already at the turn of 2010, others were plunged in several-years-long recession and/or depression (Stockhammer, 2016). Most of the debate on the crisis heterogeneity remain, however, focused on the diverging trajectories of the old Eurozone member states, i.e. on the relationship between the core and the de-industrialised Eurozone periphery in the Mediterranean (e.g. Lapavitsas et al., 2012; Álvarez Peralta et al., 2013). The effects of the global crisis in CEE are mainly explored in regionally focused comparative studies (Bohle and Greskovits, 2012; Myant and Drahokoupil, 2011). However, these studies only marginally discuss the issue of monetary regime, strongly addressed by the first groups of scholars, and the incipient and in a few cases full integration of CEE economies into the Eurozone. The two strands of the debate remain basically separate. This holds true also for the few available comparative studies on the post-crisis trajectories in CEE. Bohle (2018a) excludes Slovenia and disproportionately discusses Hungary at the expense of the other Visegrád economies. Other studies (e. g. Myant, 2018) focus mainly on export industrialisation in the industrialised CEE periphery, but do not discuss (post-crisis) financialisation. Therefore, the specific features of the crisis and post-crisis trajectories of the Eurozone countries in the industrial periphery of CEE have not been systematically addressed.

We fill this gap by providing a comparative study on the transformation of dependent growth trajectories in Slovenia and Slovakia after the emergence of the Eurozone crisis in 2010. We seek to answer the following questions. How has the crisis and the Eurozone regulations affected the

accumulation regimes of the Eurozone countries in the industrialised post-socialist periphery? Which are the forms of the post-crisis vulnerabilities? How has the recent accumulation regimes' changes affected labour? The case study choice is based on several reasons. Besides providing additional insights on the heterogenous trajectories of the European peripheral countries during the crisis, the study of Slovenia and Slovakia allows to understand how Eurozone member states from the industrial cluster of the post-socialist periphery coped with the challenges of socio-economic restructuring during the crisis. Slovenia and Slovakia both adopted the euro in the initial stage of the crisis, in 2007 and 2009 respectively, and became full Eurozone members just before the Eurozone sovereign debt crisis had started. Both also consolidated their export-oriented manufacturing during their run-up for integration in the EU and the Eurozone, in contrast to the southern Eurozone members that suffered from a relative de-industrialisation. Despite these common traits, the trajectories of the two countries sharply diverged after the outbreak of the Eurozone crisis.

To explore systematically the extent and depth of accumulation regimes' transformations with a concrete set of macroeconomic categories and variables, we combine dependency and régulationist approaches with the methodological advances proposed by Stockhammer et al. (2016). They distinguish three macroeconomic and macrosocial dimensions, i.e. financialisation, industrial upgrading and working-class coherence. Our study goes, however, beyond Stockhammer et al. (2016) insofar as it pays greater attention to the impact of the European regulations and macroeconomic policies on trajectories of economic growth.

We argue that the post-crisis economic trajectories of the industrialised CEE Eurozone countries continue to reflect the key traits of the pre-crisis asymmetrical relationship with the core. The main vulnerabilities are linked to the on-going reliance on FDI for export industrialisation, the narrow export specialisation, and, particularly in Slovakia, rapidly advancing financialisation. This does not imply that pre-crisis vulnerabilities did not change substantially: the excessive private debts were shifted to the public sector in Slovenia under a strict EU supervision while in Slovakia, household debt – and the resulting risks – have continued without interruption. Export growth has been a crucial element of economic recovery in both countries. Although the Eurozone crisis impacted the two economies in different ways, labour was strongly affected in both of them and was used as the main adjustment mechanism. In addition, recent wage improvements are precarious, given the increasing fragmentation of working-class coherence and structural features of dependent industrial upgrading. Our findings suggest that financialisation is an integral part of accumulation regimes on the European industrialised periphery and various forms of financial integration should be systematically included in the analysis of post-crisis growth trajectories. This is all the more necessary as the FDI- and export-led growth in CEE starts to show signs of exhaustion and as the European regulations provide little manoeuvring space for any industrial restructuring that would reduce external dependency. In fact, our analysis also points that the Eurozone monetary regime strongly influences the post-crisis transformation of growth trajectories on post-socialist periphery and provide additional structural source of downward restructuring of labour. Post-crisis economic recovery in Slovenia and Slovakia allows for only precarious and partial improvement of labour conditions.

This article is structured as follows. Theoretical background is discussed first, followed by a brief overview of the main pre-crisis accumulation regime's trends in Slovenia and Slovakia, and the

sections studying separately post-2010 trajectory of each country. The conclusion summarizes the key findings and highlights our contributions to existing debates on the post-crisis dependency of CEE and its impact on labour, and the role of European regulations in economic restructuring in the region.

2. Theoretical background

This article builds on the so-called third generation of institutionalist comparative capitalism (CC) approaches (Nölke, 2016). In contrast to other CC studies, these approaches highlight the asymmetrical interdependencies of European growth regimes and their contradictions, and question power balances and conflicts sustaining institutional and macroeconomic trajectories. They often combine Critical International Political Economy with insights from *régulation* and dependency approaches, and neo-Keynesian analysis (Stockhammer, 2016; Becker et al., 2015; Gambarotto and Solari, 2015). Regarding CEE, comparative studies have (more) often built on the post-VoC concepts. To overcome the static assumption underlying “dependent market economy” model proposed by Nölke and Vliegenthart (2009), Myant and Drahokoupil (2011; Myant, 2018) consider different forms of dependent international integration as the key defining characteristic of CEE economies. Their insights were further advanced by scholars that give greater attention to political relations and social forces, and that build on neo-Gramscian (Drahokoupil, 2008) and neo-Polanyian approaches (Bohle and Greskovits, 2012) or combine French *régulation* school (FRS) with constructivist political sociology (Delteil, 2018).

More concretely, we follow Becker and Jäger (2012) who combine *régulation*- and dependency-approaches. While an important part of the FRS took an increasingly institutionalist direction (Boyer, 2004), others have continued to build on the initial Marxist inspiration and developed concepts of a medium level of abstraction to analyse changes and different forms of accumulation across space and time. Marxist *régulation*ists consider the necessity to accumulate as inherent characteristic of capitalism and place wage labour at the centre of social regulation and accumulation. Different forms of accumulation regime might be distinguished (Becker, 2002). For our discussion, the features of predominantly productive and outward looking accumulation are especially important. In predominantly productive accumulation, investment is placed in productive industrial sector of economy. While “dominant” economies tend to export capital and goods, the “subordinated” ones rely heavily on imports at least in those areas that are especially important for accumulation (Beaud, 1987: 76). A strong extraversion is a key element of accumulation regime in peripheral economies. Crisis process in the periphery are often shaped by external constraints and manifests in the form of current account, exchange rate and/or external debt crisis.

A combination of investment patterns, surplus-value-creation methods and the form of international insertion define basic contours of accumulation regime (Becker, 2002). The latter have profound impacts on social reproduction and require a fitting dispositive of regulation, i.e. a set of historically established social and legal norms, called structural forms. The state plays a central role in the formation of such dispositive, as well as in the concrete dynamics of dependency relations between core and periphery. We conceive state decisions as concentrated and selective outcomes of class power struggles and competitive political strategies (Jessop, 2002). Strategic selectivity of the state can vary at different scales. In the case of the EU member states, the changes of state strategic selectivity and of policy-making at the national and EU are interlinked (Becker and Jäger, 2012).

Aglietta (1982: 16) considers the wage relation, the form of competition, and the monetary constraint as key structural forms that evolve through class struggle and define specific modes of regulation. The wage relation encompasses issues like the fixing of wages, working conditions, social security and, thus, struggles over the extent and form of the commodification of wage labour. These issues are not only addressed at the factory level, but also within the realm of the state, as well as at the international level. At the same time, the contemporary internationalization of money capital shapes class struggles and distributional conflicts at the national level (Umney et al., 2018). Financialisation heightens pressures on wage-setting regulations and produce disciplining effects because capital became more intolerant of established social norms and political compromises. Moreover, the international norms of competition and money also are also important for establishing and perpetuating core-periphery asymmetries between national economies (Byé and de Bernis 1987: 870).

In crisis periods, struggles over accumulation strategies, forms and scales of regulations can become increasingly heated. Crises – both economic and political – can be classified according to their intensity. The mildest forms of a crisis are an economic crisis, which can be solved within an existing regime of accumulation and the corresponding *régulation* (Boyer, 2004). If the hitherto forms of accumulation are put into question, a major or great crisis occurs. Such a crisis erodes and possibly undermines the hitherto power bloc and forms of representation (O'Donnell, 1996: 51; see also Amable and Palombarini, 2009). The rhythm of the two does not necessarily coincide. In a great economic and political crisis, the struggles over the strategic selectivity of the state and the regulatory scales are usually particularly acute.

We focus on accumulation regime's transformation and, as a crucial element for gauging the demand side, the wage relation. For a concrete operationalisation of the theoretical framework at the macroeconomic level, we adapt categories developed by Stockhammer et al. (2016). To explore the linkages of the European growth trajectories between the "South", "North" and "East", they distinguish three macroeconomic and macrosocial dimensions, i.e. "financialisation", "industrial upgrading" and "working-class coherence", and study their medium-term evolution in the pre-crisis years. Our comparison is more fine-tuned to comparing the trajectories of two countries in the industrialised EU periphery, i.e. "Eastern growth model" of Stockhammer et al. (2016). Moreover, we focus on the changes during the global and Eurozone crises and their impact on the post-crisis trajectories. Therefore, we adapt the indicators of Stockhammer et al. (2016) to the peripheral context and to the analysis of economic trajectories in both crisis and more stabilised development.

To do this properly, we slightly modify the chosen set of indicators. Since both Slovenia and Slovakia have banking-based financial systems, we focus on financialisation indicators linked to banking – household debt, government debt and domestic credit to the private sector. Since financialisation can be based on the financial sector and crisis developments can be mirrored in the public debt, we include also, beyond Stockhammer et al. (2016), the government debt-to-GDP ratio. Since the stock exchanges are irrelevant for both countries, we do not include the evolution of stock prices in our analysis. The house price growth is not considered, because the data was only partly available. Like Stockhammer et al. (2016), we take the net international investment position (NIIP) as the indicator of external financial dependence. Industrial upgrading deals with the productive accumulation,

primarily industry. We include the indicators dealing with the evolution of industry (productivity growth) and international insertion (FDI, trade, current account). Differently from Stockhammer et al. (2016), we do not look at inward net FDI stock, but net FDI-to-GDP ratio, with the net FDI corresponding to outward minus inward FDI stock. The negative net FDI-to-GDP ratio reflects more clearly the dependent position of the CEE economies. In line with Stockhammer et al. (2016: 1811) the term “working class coherence” “denote[s] the unity and organisational ability of the working classes to assert its (economic) interests.” Here, we consider the unemployment rate, social expenditure-to-GDP ratio, average wages and union density. We study both medium-term evolution in times of a relative prosperity and the continuities and changes during the crisis. Depending on variables, we consider either the rate of change (%) or the percentage point change (pp). Concerning the analytical timeframe, we distinguish between the global crisis outbreak (2008/2009), the Eurozone crisis (2010–2013) and the post-Eurozone crisis period (2014–2017). Since we focus on only two countries, we give more space to the political and institutional contextualisation of the evolution of indicators. We are especially interested in the EU crisis management, as the EU integration greatly influences the growth trajectories in CEE (Bohle, 2018).

3. From dependent growth to the global crisis: Slovenia and Slovakia

Table 1 Pre-crisis macroeconomic trajectories, Slovenia and Slovakia, 2002–2009, selected indicators, change and level

	Slovenia			Slovakia		
	2002 level	2007 level	2008–2009 change	2002 level	2007 level	2008–2009 change
GDP in mrd EURO-SIT, EURO-SSK	29.8	37.6	-7.7%	45.2	64.4	-5.4%
Unemployment rate, %	6.3	4.9	1.5 pp	18.8	11.2	2.5
Average annual wage, EURO	18,974	22,258	0.9%	9,262	11,234	3.4%
Current account, % of GDP	-2.2	-4.2	4.7 pp	-5.9	-5.4	2.9 pp
Net FDI stock, % of GDP	10.4	-7.2	-1.4 pp	47.1	-59.3	-6.4 pp
Government debt, % of GDP	37.8	30.1	14 pp	49.4	34.8	8.7 pp
Domestic credit to private sector, % of GDP	59.8 ¹	70.9	6.9 pp	33.8 ¹	37.4	4.2 pp
NIIP, % of GDP	-7.7 ²	-25.5	-4.2 pp	-51.7 ²	-56.4	-8.4 pp

Note: GDP is provided at constant price in national currency, 2010 reference level. Government debt refers to general government consolidated liabilities. Data on domestic credit and NIIP available only from 2006 and from 2004, respectively. Average annual wage is at 2017 constant prices and NCU (EURO 2016).
Sources: AMECO (GDP); Eurostat (unemployment, government debt, NIIP); Oecd.Stat (average wage); WDI (current account balance, domestic credit to private sector); UNCTADstat (FDI stock).
¹ 2006 level; ² 2004 level.

In the early 1990s, both Slovak and Slovenian governments tried to establish a form of “national capitalism” in their countries (Drahokoupil, 2008). Monetary policies, in particular the exchange rate policy, facilitated a rapid rise of export manufacturing without increase of social inequality. Policies towards FDI were selective, promoting inflows of foreign capital into manufacturing, but pursuing economic nationalism in banking and retail sectors (Bohle and Greskovits, 2012: 202; Podvršič and Schmidt, 2018). Like in Slovenia, domestic capital was kept afloat by bank credits in Slovakia. However, the Slovakian authorities did not pursue an exchange rate policy that would have been consistent with an export-based industrial development. In addition, the trade unions gained an

institutionalised say in policy-making in Slovenia, but were marginalized in Slovakia. While Slovenia had a stable recovery, Slovakia recorded high current account deficits and a banking crisis in the late 1990s. The early attempts to build “national capitalism” in the two countries were conditioned by the asymmetrical trade agreements signed with the EU. With the commencement of EU negotiation talks, the EU gained even stronger leverage on institution-building and economic policy-making, especially regarding tight budgetary conditions and restricted state aid policies (Bohle, 2006). Slovenia entered the accession talks from a macro-economically relatively comfortable position. Though there was not a dramatic change in the balance of the political parties, the social balance of power further moved in favour of a greater external liberalization and to the detriment of labour (Podvršič and Schmidt, 2018). In Slovakia, the accession talks were preceded by a great economic crisis, a highly contested election and a political shift towards pro-EU and pro-foreign capital-oriented forces (Drahokoupil, 2008).

After the turn of 2000, the centre-left Slovenian governments introduced a series of reforms in competition and monetary policy to secure the integration in the EU and the EMU regime. Once the capital controls had been eliminated and the interest rates decreased, banks started to rely massively on external refinancing. In contrast to other countries in the region, the Slovenian banks remained domestically owned and the lending to corporation was at the core of their activities. The credit-led boom fuelled economic growth, but also a rapid accumulation of macroeconomic imbalances, especially the current account deficit. In 2006 the Bank of Slovenia warned about “a danger of the lending market overheating” (Bank of Slovenia, 2006). Nonetheless, the then right-wing government took no precautionary measures. In fact, the government manoeuvres were fairly limited because the country relied on the ECB’s low interest rates policy (Ponikvar et al., 2014). In Slovakia, financialisation was less important for the accumulation of pre-crisis imbalances. After 1998 elections, the new Slovak government, encompassing hard-core right-wing neoliberals and social democrats clearly banked on FDI. Part of the shift to a FDI-led growth strategy was the establishment of a low-tax regime. Banking was almost completely taken over by foreign banks. The privatised banks did not retain the hitherto close financial links to domestic firms. At the same time, the subsidiaries of transnational corporations did not rely on Slovak banks for financing. Restructured banking focused on lending to households, particularly for housing. Lending to households started from a very low level, but expanded more rapidly than in the other Visegrád countries and Slovenia. Because deposits practically covered credits (Myant and Drahokoupil, 2011: 263), the credit expansion was less dependent on external refinancing than in Slovenia. Besides in the banking, FDI inflows were strongly concentrated in car industry. By 2007 inward FDI stock exceeded the outward one by almost 60% of GDP, indicating a strong industrial dependency. Though the current account deficit was on the same level in 2007 and 2002, it fluctuated strongly in between. The fluctuation was particularly strong in the goods trade where high investments led temporarily to a high trade deficit (Morvay, 2010: 29, tab. 10).

By the end of the 2000s, both countries upgraded their industry to a semi-core profile (Bohle and Greskovits, 2012). They became strongly integrated into the German export-oriented production network, with a German export share of about 20%, and dependent on external demand (Galgóczy, 2014: 367). In contrast to the Visegrád countries, Slovenian industry comprised also successful exporters from cyclically less sensitive sectors, such as medicinal equipment and pharmaceuticals (OECD 2011, 19). In both countries, labour bore the biggest burden of the transformation of the economic reconversion in favour of export industrialisation (Onaran, 2011). After the collapse of employment in the early 1990s, job creation was moderate despite the restored output and productivity growth. In fact, even during the booming 2000s, employment expanded for mere 1%

(Onaran, 2011: 216, tab. 211). The recovery of wages was slow as well: the average 1989 real wage was only reached again in 2006 (Slovenia) and in 2007 (Slovakia) (Podkaminer, 2013: 17, tab. 13a). In both countries, labour has been under strong pressure of price competition and quest for foreign industrial FDI. However, there are important differences. In Slovakia, as late as in 2007, the unemployment rate was still in double digit, exceeding 11%. Despite a rapid growth in the 2000s, wages remained (extremely) low and the country records the lowest wage-to-GDP ratio among the CEE countries (Galgóczy, 2017: 19). In contrast, Slovenia is a regional outlier in this regard, and its average wages are about twice as high as the Slovak ones. However, the labour market segmentation is very pronounced. Since the end of the 1990s, export industry relied strongly on precarious jobs to cut labour costs (Podvršič and Schmidt, 2018). With a share of temporary workers among all the employed rising from about 14% to over 18% between 2002 and 2007, the country recorded one of the biggest relative expansions of precarious jobs among the EU countries in the previous decade, outstripped only by Poland, Cyprus and Ireland (Eurostat).

The global crisis hit both economies through export and credit channels, although to different extent. The narrowly specialised export-industry contracted strongly in both cases (Myant and Drahokoupil, 2011). Since by 2009 both countries had adopted the euro, neither of them could attenuate the effects of the export slump by currency depreciation. This was a key difference to the other Visegrád countries. In both cases, weak domestic demand and declining imports helped improving current account. The outbreak of the crisis hit Slovenia more strongly than Slovakia. In Slovenia, banks cut lending to the corporate sector, particularly to the hitherto booming construction industry. The banking sector was more vulnerable to dwindling access to foreign refinancing though the effects of this were not immediately felt due to stabilising measures of the government. The initial response of the centre-left governments in both countries followed the European Recovery plan and introduced several fiscal stimuli programmes to attenuate the initial downturn (OECD, 2011; Myant et al., 2013: 399). The stronger increase of public debt in 2008/2009 in Slovenia can be ascribed to the need to stabilise the banking sector in that country. In Slovakia, similar measures were not necessary. New Slovak legislation on state aid for banks and on deposit protection had a purely pre-cautionary character (Myant et al., 2013: 400). Labour was immediately affected by the crisis, initially especially through the increase of unemployment and the firing of temporary workers. In Slovakia, the initial counter-cyclical measures of the social democrat government shored up wage (Myant et al. 2013: 399).

The manifestation of the global crisis in Slovakia and Slovenia revealed the dependent character of their respective accumulation regimes and corresponding vulnerabilities. The incipient divergence between the two countries widened considerably after the Eurozone crisis emerged. The European regulations and dominant economic policy played important role here.

4. Deepening of dependent industrialisation and a shift towards public indebtedness in Slovenia

Despite a rapid recovery of exports after the initial slump at the end of the 2000s, Slovenia was strongly affected by the outbreak of the Eurozone crisis in 2010 and experienced a double-dip recession. A severe banking and sovereign debt crises were at its centre. Between 2010 and 2013, GDP went down on average by 0.5% each year (Eurostat) due to the depressed domestic demand. The economy started to recover only with the stabilization in the Eurozone. A profound economic and financial crisis provoked intense political tensions and several preliminary government changes (Stanojević et al., 2016). The institutionalized social partnership was undermined as well as

governments increasingly resorted to unilateral and authoritarian-like policy-making (Piroska and Podvršič, 2019). A stable economic recovery with the GDP going up by 3.3% on average each year between 2013 and 2017 (Eurostat) helped attenuating the political crisis. Nonetheless, the ruling parties continued to follow restrictive EU policy agenda. In fact, the end of the Eurozone crisis was marked by a direct intervention of the European authorities into the Slovenian policy-making that greatly impacted the economic restructuring.

Financialisation

Table 2 Financialisation, Slovenia, 2010–2017, change (pp) and level

	Change		Level
	2010–2013	2014–2017	2017
Household debt, % of GDP	-0.8	-1.4	31
Government debt, % of GDP	32.7	-10.4	89.2
Domestic credit to private sector, % of GDP	-19.6	-9.7	44.8
NIIP, % of GDP	0	13.5	-32.3
Note: Calculations provided on consolidated data.			
Sources: Eurostat (household and government debts, NIIP); WDI (private credit).			

Regardless of their formal political orientation, all the ruling coalitions in Slovenia followed the European policy shift towards austerity and export-oriented recovery at the beginning of the Eurozone crisis that further destabilized the corporate and banking sectors. Because of the drying up of international financial inflows, the collapse of domestic demand and tighter credit standards, the lending to private sector contracted for almost a fifth of GDP between 2010 and 2013. The credit contraction heightened the refinancing problems of corporations and triggered a rapid growth of nonperforming loans on banks' portfolios. The costs of deteriorating banks' portfolios were covered mostly by public finance. This led to a rising government debt, going up from less than 48% of GDP in 2010 to over 80% of GDP in 2013. Rapidly increasing public indebtedness pushed Slovenia into the middle of the Eurozone sovereign debt turmoil because the country no longer had control over its monetary policy nor a central bank assuming the role of lender of the last resort (Kržan, 2014). Far-reaching reforms of the banking sector were undertaken in 2012 and 2013. The government established a Bank Asset Management Company that took over the banks' bad assets and became responsible for the restructuring of the related corporations. A further capital injection into the banks was planned as well. In mid-2013, the ECB and the EC stepped in and required a new asset quality review. The new review arrived a much higher estimation of the total capital needs of the banks than the Bank of Slovenia's initial calculations. The overall banking rescuing operation exceeded 10% of GDP and further fuelled the public debt (Breznik and Furlan, 2015). In addition, this state-led operation was made conditional on the privatization of all rescued banks. Foreign-led privatization proceeds under a strict EC's supervision (Piroska and Podvršič, 2019). The two biggest banking groups have been already privatized. It is estimated that in the next years, Slovenian state-controlled market share in the banking would fall below 30%, compared to over 60% in the pre-crisis period (Raiffeisen Research, 2017: 38).

More favourable borrowing conditions and restored GDP growth in the post-2013 period attenuated a relative burden of the public debt, though very slowly. In 2017, the level of the public debt-to-GDP

ratio was still almost three times higher than in 2007. In a similar vein, despite the economic recovery and the ECB's expansionary policy, the private credit continued to contract, although less strongly than during the Eurozone crisis, and went down by almost 10% of GDP between 2014 and 2017. Lending in the rescued banks was subject to several conditions defined by the EC in line with state aid restrictions (Breznik and Furlan, 2015). Also, the corporate demand for loans significantly diminished because of the crisis, at the same time as many of domestic firms, taken over by foreign capital (see below), turned increasingly to non-resident lenders (Bank of Slovenia, 2016: 16). Consequently, banks refocused their lending strategies on households, especially after 2015 when the labour market started to recover, as discussed below. However, the households in Slovenia are among the least indebted in the EU as their liabilities did not cessed to reduce in relative terms since the late 2000s. In 2017, the household debt represented less than one third of GDP.

The transfer of the costs of private indebtedness to the public budget was the key characteristic of the post-2010 transformation of financialisation in Slovenia. Consequently, the country's external financial position started to slowly improve only after 2015. In 2017, the NIIP still exceed the pre-crisis, 2007, level for almost a third of GDP.

Industrial upgrading

Table 3 Industrial upgrading, Slovenia, 2010–2017, change (% and pp) and level

	Change		Level
	2010–2013	2014–2017	2017
Productivity, in EUR '000	0.5 %	4.1 %	40.5
Net FDI, % of GDP	-5.4 pp	-6.9 pp	-18.7
Total exports, % of GDP	10.2 pp	6.4 pp	82.2
Current account balance, % of GDP	4.5 pp	0.6 pp	6.4
Note: Productivity is measured as gross domestic product at 2005 market prices per person employed. Sources: AMECO (productivity); UNCTAD.stat (Net FDI stock); WDI (exports and current account balance).			

The single market restrictions and competition rules, which promotes foreign capital and demand as the main motors of industrial restructuring, strongly influenced the industrial restructuring in CEE during the crisis (cf. Myant et al., 2013: 389). In Slovenia, the total exports as a share of GDP increased by more than 10 pp during the Eurozone crisis due to the improved foreign demand. Nonetheless, productivity and foreign FDI practically stagnated. The worsening of the FDI stock in the early 2010s, as indicated in Table 3, was actually mainly related to a rapid reduction of foreign investments of the Slovenian corporations because of high losses of foreign affiliates and historical revaluations of real estate. Between 2010 and 2013 the capital stock abroad went down by more than 12% of GDP (Bank of Slovenia, 2014: 32).

After 2013, foreign capital started to rapidly invest into trade, finance and manufacturing (Bank of Slovenia, 2018: 17-26), following more favourable international conditions, more (foreign) capital-friendly tax and labour market reforms, as well as a new government privatization strategy favouring foreign capital (IMAD, 2018: 20). Nonetheless, the share of manufacturing in the inward FDI stock remained stable at about a third of the total (Bank of Slovenia, 2018: 23). In 2013, a centralized state assets agency, the Slovenian State Holding, was established and entrusted with the sale of domestic corporations, including those from the strategic sectors, like airports. The foreign-led privatization provoked important contestation from the public and trade unions, but they had limited success (cf.

Piroska and Podvršič, 2019). During the recovery, productivity improved, going up by over 4% between 2014 and 2017 on general. There are, however, significant differences between sectors. In the outward oriented manufacturing, the productivity growth was especially pronounced and since 2015, outpaced the averaged EU productivity growth in the tradeable sectors – in 2017, it was about 15% above the pre-crisis levels (IMAD, 2018: 17-18). In contrast, the sectors geared to domestic markets suffered massively from the collapse of domestic investment and demand.

After contracting by over 22% in 2009, investment (proxied by gross fixed capital formation) went down by 6% on average each year between 2010 and 2017 (SI-STAT). The continued fiscal conservatism cut down sharply public investment that, in 2017, recorded the lowest share to GDP (2.9%) on record (IMAD, 2018: 15). Thus, exports continued to be the main engine of the rising GDP after 2013. This allowed Slovenia to improve its balance of payments position significantly. Yet, the unprecedented current account gains had been accumulated mainly during the crisis years (see Table 3). Although domestic consumption and imports tended to grow in the recent years, the very favourable current account is mostly based on lower domestic consumption and greater savings in the economy as a whole (Bole, 2016).

Working class coherence

Table 4 Working class coherence, Slovenia, 2010–2017, change (% and pp) and level

	Change		Level
	2010–2013	2014–2017	2017
Unemployment rate, %	2.8 pp	-3.1 pp	6.6
Social expenditures, % of GDP	0.3 pp	-1.4 pp	15.1
Average annual wage, EURO	-4.9 %	5.7 %	24,945
Trade union density, %	-3.8 pp	/	19.6 ¹

Note: Unemployment is provided according to the ILO def., % of active population. Average annual wage is at 2017 constant prices and NCU (EURO 2016). Data for trade union density (administrative data) available only until 2015, included. Social benefits refer to social benefits other than social transfers in kind, comprising social security benefits in cash, private funded social benefits, unfounded employee social benefits, social assistance benefits in cash.
Sources: Eurostat (unemployment); AMECO (Social benefits); OECD.Stat (average annual wage and trade union density).
¹2015 level.

After 2010, Slovenian wage labour found itself under significant pressures stemming from the austerity agenda and stricter EU rules, as well as from financial markets. Employment continued to contract, bottoming in 2013 when the number of employed workers was reduced to the level of the early 2000s. Unemployment grew rapidly and reached the highest level since the early 1990s crisis. The average wages went down by almost 5% between 2010 and 2013, while social expenditures stagnated. The restrictive economic agenda that peaked in 2013 with the constitutionalisation of fiscal rule significantly reduced the scope for welfare provisions. Note that public cuts would have been probably even more substantial had not the broader population strongly contested against the governments' policy. Trade unions also suffered from the crisis. Trade unions' landscape fragmented further and the membership base weakened. By the early 2010s, the militancy of the trade unions from the public sector clearly outpaced that of their counterparts from the private sector, which had led the initial wave of protests in the 2008/09 period. At the same time, other civils society movements became the backbone of social mobilisations (cf. Stanojević et al., 2016).

When the economy started to recover after 2013, labour mobilization significantly decreased and the relatively few actions were mostly targeted at state privatization programme (Piroska and Podvršič, 2018). The export-led growth, however, positively impacted on wages, which went up by over 5.5% between 2014 and 2017. Unemployment decreased and stood at about 5.5% in 2017, compared to 4.4% in 2007. In fact, the labour market recovery was (again) job-less: In 2017, the employment level was still below its pre-crisis level. Temporary employment continued to expand and by 2017, it represented close to one fifth of jobs (IMAD, 2018: 38). Precarity concerns especially the youth as Slovenia records the highest share of temporary employment among the younger generation in the EU. The skilled and educated labour force has already started to look for better opportunities abroad, although emigration remains still modest when compared to other post-socialist states (Galgóczy, 2017). Instead, there is a significant inward migration as the current economic boom fuels (again) the demand for mainly low-paid and less qualified jobs in manufacturing and construction. In 2018, foreign workers, coming mostly from other ex-countries of Yugoslavia, represented almost 10% of all labour force (Cerar, 2019). This explains partially why trade union density continued to weaken and stood at mere 19% in 2015, i.e. less than half of the rate registered in 2000 when the preparations for entering the EU and the ERMII accelerated.

Overall, after the emergence of the Eurozone crisis, the accumulation regime in Slovenia changed enormously. It moved towards a greater reliance on exports and FDI inflows, as well as on low(er) wages, especially in manufacturing. At the same time, corporate-banking lending was reduced and costs of stabilising the banking sector were transferred to the budget. This came at a significant price: the pre-crisis GDP level was restored only in 2017 (Eurostat).

5. Continuing financialisation and dependent export industrialisation in Slovakia

The Slovak economy was only marginally affected by the Eurozone crisis. It recovered strongly in 2010 when the country recorded a GDP growth rate of 5.0%, but the growth rate slowed down in the following three years to reach mere 2% on average. As in Slovenia, the slowing down of recovery was mainly due to a changed policy approach that reduced investment and domestic demand. A new more right-wing oriented coalition government, formed after the 2010 elections, adopted highly restrictive budgetary policies, which reflected its own policy line and pressures of the EC (Myant et al., 2013: 401). The German debt brake inspired the government to adopt a highly constraining constitutional public debt ceiling already in 2011 – thus well before the signature of the Fiscal Compact in 2012. This legislation was supported by social-democrat Smer-SD (Schmögnerová, 2018: 201).

In the post-Eurozone crisis period, the GDP growth slightly improved to exceed 3% between 2014 and 2017. The strongest growth impulses derived from exports though not to the same extent as in the immediate pre-crisis years. With the accelerated economic growth, domestic demand became stronger. Investment, however, was highly volatile. The budgetary impulses to the economic recovery were limited due to the combination of the Slovak low-tax structure and the tight rules of the Eurozone.

Financialisation

Table 5 Financialisation, Slovakia, 2010–2017, change (pp) and level

	Change		Level
	2010–2013	2014–2017	2017
Household debt, % of GDP	7.3	7.3	42.5
Government debt, % of GDP	13.8	-2.3	58.2
Domestic credit to private sector, % of GDP	2.9	10	59.9
NIIP, % of GDP	-0.4	-2	-65,6
Note: Calculations provided on consolidated data.			
Sources: Eurostat (household and government debts, NIIP); WDI (private credit).			

In Slovakia, the Eurozone crisis slowed down financialisation, but did not bring it to a halt. Domestic credit increased minimally even in the early 2010s. The banks were able to expand lending because of their strong deposit base. Households continued to be the key lending target group and the household debt rose from 25.3% to 32.6% of GDP between 2010 and 2013. The Eurozone crisis dampened the business demand for credits and, thus, slowed down this lending activity. Because of the sequels of the crisis, the government debt increased and exceeded 60% of GDP by 2013 though the budgetary policies had been increasingly restrictive. Although the NIIP hardly changed in this period, the patterns of the external debt altered. The short-term debts of the banking sector decreased abruptly in 2009. After increasing rapidly at the turn of the 2010s, the external debt pattern of the National Bank of Slovakia and the state shifted from short- to long-term debts by 2013 (Morvay, 2015: 40). This indicates an easing of external funding for Slovak public borrowers even during the Eurozone crisis. This is in sharp contrast to Slovenia.

From 2014 to 2017 domestic credits to the private sector increased strongly to represent almost 60% of GDP 2017. Fuelled by low ECB interest rates policy, household loans increased steadily from 35.2% of GDP in 2014 to 42.5% of GDP in 2017, the highest figure in CEE in that year (Národná banka Slovenska, 2017: 21). The share of housing loans within the household loans rose to about 80% in 2016 up from about 65% a decade before (OECD, 2019: 16). The importance of the housing loans is closely linked to the extreme predominance of private housing property, which is a common feature of CEE and leaves hardly any alternatives to buying a flat (Bohle, 2018b). It is particularly the younger generation that depends on loans in order to get access to housing. In line with the increased sensitivity of Central Banks in Europe to rapid household loan growth, the Slovak National Bank has tightened the conditions for granting housing loans in 2017 and 2018 (Národná banka Slovenska, 2018: 6; Národná banka Slovenska, 2017: 6) – with fairly limited effects. After 2013, business demand for credits picked up, particularly to finance investment (Morvay, 2015: 68; Národná banka Slovenska, 2018: 31). Foreign indebtedness of enterprises increased over the years (Morvay, 2015: 41; graph 3.7). In the post-crisis years, public debt grew slowly due to the institutional budgetary restrictions. The NIIP continued to deteriorate slightly.

Thus, financialisation patterns in Slovakia showed a continuity between the pre-crisis, Eurozone crisis and post-crisis years regarding the key importance and uninterrupted growth of bank lending to households. Lending to firms has been of a secondary importance and subject to the business cycle. The crisis affected external borrowing patterns, but the strong deposit base allowed banks to increase lending even during the Eurozone crisis.

Industrial upgrading

Table 6 Industrial upgrading, Slovakia, 2010–2017, change (% and pp) and level

	Change		Level
	2010–2013	2014–2017	2017
Productivity, in EUR '000	5.1 %	3.9 %	34.4
Net FDI, % of GDP	-1.6 pp	-4.3 pp	-50.8
Total exports, % of GDP	17.5 pp	4.4 pp	96.3
Current account balance, % of GDP	6.5 pp	-3.3 pp	-2.1
Note: Productivity is measured as gross domestic product at 2005 market prices per person employed. Sources: AMECO (productivity); UNCTAD.stat (Net FDI stock); WDI (exports and Current account balance).			

After 2010, exports rebounded significantly, going up by over one fifth and reached almost 94% of GDP in 2013. Nonetheless, productivity increased only slowly and FDI flows became very volatile and lower than in the pre-crisis period. The Slovak net FDI stock position show some fluctuations, but no dramatic shifts in the early 2010s. The deep slump of the car industry in 2008/2009 had effects on the FDI flows. While the existing producers expanded production resp. reached full capacity in 2012 and 2013, new FDI in supplier industries was very low in those years (Pavlínek 2017, 25 f.). As the economic growth was based on a combination of exports and weak domestic demand, the current account improved significantly and turned from a deficit of 4.7% of GDP in 2010 to a surplus of 1.8% in 2013.

After the stabilisation in the Eurozone, the exports slowed down. Nevertheless, they represented almost total economic output by 2017. Due to the hitherto strong development of the share of car exports, the product concentration of Slovak exports is the highest in CEE (Morvay, 2017: 48). Productivity growth decelerated further and the instability in the FDI flows persisted, although foreign FDI inflows slightly increased. The patterns of FDI stock displayed a lot of continuity – except for the energy sector where a re-nationalisation occurred. With a rebound of the domestic demand, the current account deteriorated slightly, returning to a deficit of 2.1% in 2017.

While dynamic growth of FDI inflows ended with the global crisis, the structural features of the FDI and manufacturing have not undergone dramatic change in the Slovak economy. Transnational capital has remained crucial in export manufacturing where the share of inward FDI stock remained at about a third.

Working class coherence

Table 7 Working class coherence, Slovakia, 2010–2017, change (% and pp) and level

	Change		Level
	2010–2013	2014–2017	2017
Unemployment, ILO def. % of active pop	-0.3 pp	-5.1 pp	8.1
Social benefits, % of GDP	-0.3 pp	-0.5 pp	13.5
Average annual wage, EURO	-1.2 %	9.8 %	13,537
Trade union density, %	-1.9 pp	/	10.9 ¹
Note: Unemployment is provided according to the ILO def., % of active population. Average annual wage is at 2017 constant prices and NCU (EURO 2016). Data for trade union density (administrative data) available only until 2015, included. Social benefits refer to social benefits other than social transfers in kind, comprising social security benefits in cash, private funded social benefits, unfounded employee social benefits, social assistance benefits in cash. Sources: Eurostat (unemployment); AMECO (Social benefits); OECD.Stat (average annual wage and trade union density). ¹ 2015 level.			

After a significant decline of employment – particularly in manufacturing – in 2008 and 2009, employment barely improved until 2013 while temporary jobs expanded (Eurostat). Unemployment continued to increase in 2010 – and remained relatively stable at a level between 13% and 14.2% up to 2014. The restrictive budgetary policies during the Eurozone crisis were reflected in a slightly declining relative share of social benefits (see table 7) and, to some extent, in wage development. The right-wing coalition made state expenditures and public sector wages “two focal areas for cuts” (Myant et al., 2013: 402). Wages went down by 1.2% between 2010 and 2013. Protests against austerity policies remained confined to education and health sectors, where major labour actions took place in 2011 and 2012 (Kahancová, 2017: 188).

After 2013, employment increased more rapidly and exceeded its pre-crisis level by 2017. However, the expansion of instable jobs was significant as well. By 2017, the share of temporary employed among the all employed came close to 9.5% and was more than twice as high as in 2008 (Eurostat), when the first hiring of temporary workers began due to the crisis. Unemployment gradually, but significantly declined. In 2017, the unemployment rate (8.1%) was for the first time lower than in 2008 (9.6%). There was, however, a massive outward migration from the country. About 10% of the Slovak population lives outside the country (OECD, 2019: 43). Relatively highly qualified labour has emigrated in particular; especially health and construction sectors are facing important labour shortages (Kahancová, 2017: 188). Very recently, firms in Slovakia have started to recruit more intensively foreign workers that currently represent 2% of the labour force (OECD, 2019: 11). In spite of the falling unemployment rate, as even the OECD (2019: 12) points out, “there remain pockets of widespread unemployment in some regions, and long-term unemployment has remained high.”

Though the social-democrat government passed some “social packages”, the share of social expenditure (without transfers in kind) in GDP went down post-2014. In that period, wages, particularly of well-qualified workers, have picked up and grew by 9.5%. Recently, wage growth has surpassed the growth of labour productivity. Note that despite these improvements, “labour costs are still less than half of those in Austria and Germany” (OECD, 2019: 12). Several factors have affected the post-crisis wages increases. The social-democrat Smer-SD government made the minimum wage increases the key feature of the state policy and introduced also some pro-labour legislative changes in areas like agency work and collective agreement coverage. In the public sector, particularly the underfunded and lowly paid health and education system, significant labour actions continued. They succeeded at least partially in gaining wage increases (Kahancová, 2017: 181). In addition, in the recent years, labour action expanded beyond the public sector. In 2017, the automotive workers union at Volkswagen staged the first strike and won substantial wage increases and several other benefits (Pavlínek, 2018). Though it has not been followed by other high-profile strikes, trade unions have become more assertive. This has not, however, increased trade union density, which continued to decline.

Regarding labour and the wage relation, the years of the Eurozone crisis and the post-crisis recovery show distinct features. With declining unemployment, some pro-labour legislative changes and more assertive trade unions, wages have increased after 2013. Nonetheless, the recovery did not contribute to greater welfare state.

6. Conclusions

In the early 2010s, the Slovak economy continued to expand, though at the slower pace, and gained an additional boost after 2013. Slovenia, in contrast, was hard hit by the Eurozone crisis and recovered only once the Eurozone turmoil had subsided. In both countries, exports and foreign demand were the main drivers of economic recovery. Consequently, the pattern of transformation of their accumulation regimes diverged substantially in financialisation, while in industrialisation and wage labour greater similarities can be observed. Nonetheless, in both Slovenia and Slovakia, financialisation and export industrialisation show features of dependency in key sectors through the strong reliance on foreign industrial capital and inflows of money capital. The transformation was greater in Slovenia where the crisis deepened the extraverted character of the economy.

A sharp differentiation in post-2010 financialisation and related dependencies partly result from different features of accumulation and regulation in the pre-crisis period. The predominantly domestically owned Slovenian banks heavily relied on external financing for corporate credits. In contrast, the credit expansion of almost completely foreign-owned Slovak banks did not substantially overshoot the deposits. Thus, they were not structurally dependent on external refinancing. In Slovenia, the financialisation patterns shifted from private to public indebtedness. Because of such restructuring of corporate-banking debt and economic policy in favour of foreign capital and demand, the links between financialisation and industrialisation modified substantially. In the pre-crisis model, Slovenian (domestic) companies – both industrial and non-industrial – could rely on substantial credit from domestic banks for investment. In the post-crisis period, this was not the case to the same degree. With the steep decline in corporate lending and the more stable lending to households, the lending patterns of banks in Slovenia fell more in line with the more general patterns in CEE. In Slovakia, the pre-crisis household indebtedness continues to expand during the Eurozone crisis with no interruption.

The industrial upgrading patterns displays many similarities, but also a crucial difference between the two countries. The FDI inflows grew rapidly in Slovenia, especially after 2013. In Slovakia, the strong FDI growth dynamics ended already in the late 2000s. The dependence on FDI deepened in Slovenia, while this was not the case in Slovakia. Note that, in relative terms, foreign capital continues to be much less important in Slovenia than in Slovakia. Nonetheless, in both countries, foreign capital dominates manufacturing and the crisis further consolidated export-oriented development based on low(er) wage-competition. Consequently, the continuity with the past trends can be observed also regarding wage labour as one of the major sources of structural pressures on labour stems from dependent industrialisation, based on mid-tech (car) exports. Despite significant differences in wage levels between the two countries, the manufacturing export-plus-financialisation-accumulation pattern has relied on cheap (manufacturing) labour in both countries.

Our analysis makes four contributions. First, comparative capitalism research on CEE tend to focus unilaterally on the export manufacturing sector as the salient feature of accumulation in the European industrialised periphery (Bohle, 2018a: 59; Bohle and Greskovits, 2012; Lapavitsas, 2019). Bohle and Greskovits (2012: 44, 224) discuss elements of international integration that encompass finance as well, but their basic analytical framework conceptualizes international economic integration through the lens of the manufacturing sector, e.g. complex manufacturing output, export, FDI. In contrast and in line with a broader pre-crisis analysis of Stockhammer et al. (2016), our research shows that both manufacturing and financialisation matter for accumulation dynamics in the industrial periphery of the Eurozone. They have existed in varying combinations over time. In CEE, specific features of financialisation emerged later than in other parts of Europe due to the state

socialist past. Since the early 2000s and financial liberalization, financialisation has displayed important, though uneven dynamism. Due to their narrow focus on household credits, Stockhammer et al. (2016: 1814) do not detect financial vulnerabilities and exposure of CEE related to corporate debt. Post-crisis, both Slovenia and Slovakia exhibit vulnerabilities and limits due to their financialisation patterns – in Slovakia, rapidly rising household debt starts to erode the stability of the banking system, while in Slovenia the burden of public debt creates a strong limit to public investment and social welfare. (Subordinate) Forms of financial integration – through FDI, external refinancing, credits – are also crucial for understanding peripheral and dependent accumulation and should be systematically included into the analysis of post-crisis trajectories in CEE (cf. Myant and Drahokoupil, 2011). While for some (Bohle, 2018a: 250) the “foreign-led export-oriented model” is “a workable alternative to debt-led growth”, both deepening financialisation and export industrialisation are defining features of the post-crisis accumulation regimes in CEE.

Second, our analysis shows that Bohle (2018a: 247) tends to overestimate the post-crisis potential of export and FDI dependent manufacturing. She warns against the danger of more volatile FDI, but does not discuss the other limitation of dependent industrialisation in CEE. In both countries studied here, the vulnerability towards the fluctuations of external demand deepened with the increased shares of exports in total output and narrow export specialization. In addition, the strong improvement of productivity from the pre-crisis years that Stockhammer et al. (2016: 1815) highlight as a feature of the “East growth model” came to a halt despite export dynamism. Decelerated productivity growth seems to be related to dampened and irregular investment and FDI inflows (Myant, 2018). Although the FDI inflows in Slovenia increased, the share of the FDI stock of manufacturing remains at about one third, similar to in Slovakia, where the inflows of fresh capital were actually quite limited. In both cases, our analysis further substantiates the claim of Myant (2018) claim that the export- and FDI-based industrial upgrading in CEE begins to show symptoms of exhaustion, among other because the foreign capital started to favour investment in service sector with small upgrading potential. For him, the concentration of R&D activities in headquarters of multinationals and low R&D investment in host economies constitutes a key limitation of dependent industrialisation model (see also Pavlínek, 2018).

Third, by building on the third generation of CC literature, our analysis also overcomes the bias in privileging the supply side institutions of more traditional VoC approaches (cf. Nölke, 2016) and contribute to the debate on the impacts of dependent industrialisation on labour. Stockhammer et al. (2016: 1817) point the strong pre-crisis wage growth of CEE in the context of high productivity growth. However, when the collapse of wages during the early transformation period is taken into account, the 2000s wage improvement was mainly a wage recovery after the initial slump. Reservations can be also made for the post-2014 wage increases, particularly strong in Slovakia. Although trade unions could negotiate higher wages in the upward business cycle, they were unable to transform temporary higher bargaining power into higher organizational power. The continuing relative weakness of labour is reflected in high precarity as well in a continuing decline of the social expenditure share in GDP. That means that recent wage increases might be short-lived. This holds true even more as productivity growth has slowed, making it difficult to push for higher wages. In addition, the employment and qualification structures of dependent industrialisation are biased against labour upgrading since less specialists (e.g. for research activities) are needed than in the core (Myant, 2018). Therefore, even though recent wage improvement confirms that spaces for wage increases in the region do exist (Galgóczi, 2017; Myant, 2018), the improvement of labour’s living conditions is subordinated to structural constraints deriving from FDI-based export manufacturing (and, when discussing the Slovenian case, also from public indebtedness).

Finally, the importance of the Eurozone and monetary constraints for industrialised periphery is generally overlooked. In face of a drastic export demand slump in the wake of the global crisis, the inability to depreciate due to the common currency proved to be an aggravating factor in both countries. In fact, the Eurozone regime strongly influenced the patterns of transformation of financialisation in both countries, although in an uneven way. Eurozone membership did shield Slovenian banks from currency devaluation (cf. Myant and Drahokoupil, 2011: 317), but not from the crisis. Slovenian banks got under increasing pressures when it became clear that Eurozone countries with refinancing problems of banks could only rely on *à la carte* support by the ECB. Because of the stringent EU state aid rules, all the rescued banks were privatized in favour of foreign capital under the strict EC's supervision. In Slovakia, ultra-low ECB interest rates have been among the key factors stimulating household indebtedness since 2010. The National Bank of Slovakia introduced stricter lending rules in 2017 and 2018, but had only limited success. This shows the narrow constraints of national monetary and banking policies in a heterogeneous monetary union. The common currency also negatively influenced working class coherence. During the Eurozone crisis, wages were pushed down in both countries. This was not only due to the hardening of structural constraints, proper to dependent industrialisation growth patterns, but also to structural limitation of the Eurozone membership and pressures of the common currency on wages. Without the possibility to depreciate, wages turn into the major downward adjustment variable, particularly in crisis times (Boyer, 2000; Nölke, 2016). Pressures on wages and wage bargaining institutions were at the very core of strategies of "internal devaluation" that the EU institutions obliged the Mediterranean Eurozone member states to undertake during the crisis (e.g. Álvarez Peralta et al., 2013). However, the particular constraints of Eurozone membership for wage bargaining has not been discussed in regard with the CEE periphery. Overall, our analysis indicates that the accumulation regime of industrialised *but also* financialised Eurozone periphery has a strong in-built anti-labour bias.

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