Irish government prepares more spending cuts

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31 July 2009

Having imposed major cuts in public spending in two emergency budgets over the past year, the Irish government is preparing to implement yet another round. It is expected that the additional measures could be announced as early as September, in spite of the fact that the budget for 2010 is not due until December.

A recent report published by an official commission headed by economist Colm McCarthy provides an indication of the extent of the cutbacks. McCarthy proposed measures which would see annual government spending shrink by over €5 billion.

In comments after the report's publication, McCarthy noted that the government was borrowing over €400 million per week. This amounted to €20 billion per year, equivalent to approximately 11 percent of GDP. This was unsustainable, he said, warning that the government would struggle to obtain further loans if swift action was not taken.

The main targets for spending cuts in the report were social welfare, health and education. The commission also called for 17,000 job cuts in the public sector.

In total, the commission proposes social welfare cuts of €1.5 billion. This will be done by cutting welfare payments by five percent, saving the government €850 million. Child benefits would be cut by 20 percent, saving the government over €500 million. The department is also being encouraged to pay jobseekers allowance at lower levels depending on the age of the claimant, as well as making cuts to support services for families.

Under the commission's plan, the department of health will be reduced by up to 10 percent in the coming years, through the implementation of €1.2 billion in spending cuts and the loss of over 6,000 jobs. Those on low incomes will suffer the most with plans to raise hospital fees, implement a €5 prescription charge for those who previously did not have to pay, and lower the income level for access to medical cards. Many people on low incomes currently entitled to basic healthcare through the medical card scheme will have to do without.

Education will also bear the brunt of the job cuts, with McCarthy proposing over 6,300 redundancies and €700 million in savings. Small schools, particularly in rural areas, will be closed or merged with other schools, while provision for students with special needs will be scaled back.

Local authorities are targeted, with plans for €100 million in budget cuts for councils. Twelve of Ireland's 34 local authorities should be merged, according to the report. Many local authorities are already confronting budgetary difficulties as the economy deteriorates.

Other significant cuts are recommended for the Department of Enterprise, Trade and Employment, mainly through reductions in funding for science projects and cuts to benefits given to the unemployed to re-train for work.

The report recommends over 1,000 job cuts at the Department of Agriculture, while reducing its budget by €300 million. The Justice Department faces cuts of nearly €150 million, including the slashing of allowances paid to police officers and other staff. Transport cuts will impact on road maintenance, regional air travel and schemes to improve transport in rural areas.

Artistic and cultural facilities will face additional funding cuts of over €100 million, and the elimination of 170 jobs. Earlier this year in the budget, funding for the arts was scaled back substantially.

Taken as a whole, the proposals would save the government €5.3 billion.

Although he has backed away from implementing all of the recommendations for fear of public opposition, Taoiseach (Prime Minister) Brian Cowen made clear that all of the measures would be considered. No area of spending could be "immune" from examination, he said.

Cowen and other government officials want to avoid tax rises on the rich at all costs. Finance Minister Brian Lenihan, who estimated in his April budget that spending cuts of €1.5 billion would be made in 2010, has now increased his target. According to the *Sunday Business Post*, Lenihan is now aiming for cutbacks of €2.5 billion next year, so that he can avoid announcing tax hikes. Any suggestion that the rich should pay for the current economic crisis has been rejected out of hand.

Opposition parties and the trade unions, whilst criticising the extent of proposed cuts, have essentially accepted the premise that substantial cuts will have to be made.

Peter McLoone of the Impact union said McCarthy's report should be used as "one of many aids" to tackle the financial crisis. Fine Gael, the main opposition party, criticised the government for having lost the "moral authority" to implement the necessary reforms. It has refused to be drawn on which cuts it would make if it were in power, but party leader Enda Kenny has made clear that he backs many of McCarthy's recommendations.

Within the governing Fianna Fáil/Green Party coalition, there are growing fears of social opposition emerging to the cuts. Fianna Fáil made heavy losses in local elections last month and many TDs (members of the Dáil/parliament) fear for their seats at the next election.

The Greens have campaigned extensively in recent years on education and local government issues. There are concerns as to how the party will reconcile this with the scale of cutbacks now being proposed. The *Sunday Business Post* complained, "While party leader John Gormley and minister Eamon Ryan are solid, it takes only a couple of Green TDs and a handful of Fianna Fáil backbenchers to pull the rug from under the coalition."

The concerns of the ruling parties are of a tactical character. There is general agreement that reductions in public spending are the only way to get the state out of the current financial crisis.

The state has been quick to make billions available to the banks and the financial elite with no strings attached to save them from their speculative practices. Last year, the Irish government was the first in Europe to take action to guarantee large bank deposits, providing assurances which were worth up to €400 billion. Anglo Irish bank, which got in to severe trouble earlier this year, is receiving €4 billion of government funds. In December last year, a package totalling over €5 billion was put together to prevent the collapse of Ireland's major banks, even as reports emerged exposing the fraudulent methods employed to conceal the extent of their losses.

It is to pay for this bailout of the financial elite that the government is calling upon workers and the poor to accept billions in cuts to social welfare and other critical services.

Ireland provides one of the sharpest examples of a country hit hard by the capitalist crisis, but state finances in other European countries are facing similar pressures. Writing in the *Daily Telegraph* under the headline "Fiscal ruin of the western world beckons", Ambrose Evans-Prichard observed, "No doubt Ireland has been the victim of a savagely tight monetary policy—given its specific needs. But the deeper truth is that Britain, Spain, France, Germany, Italy, the US, and Japan are in varying states of fiscal ruin, and those tipping into demographic decline (unlike young Ireland) have an underlying cancer that is even more deadly. The West cannot support its gold-plated state structures from an aging workforce and depleted tax base."

After criticising stimulus measures throughout the world and the monetary policy of the Federal Reserve in the United States, he concluded by declaring that "the debt-bloated west" would have to "cut spending for year after year." Not doing so would lead us down a "road to ruin".

Such sentiments are typical of ruling circles who view the economic crisis as the perfect opportunity to restructure class relations. While insisting that the banks and other financial institutions must have access to whatever state resources they demand, the burden is to be borne by the working class by driving devastating inroads into the social services on which millions depend.