

Irish government moves to push through austerity measures

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Pressure is mounting on Ireland's Fianna Fáil-Green Party government, as it seeks to impose the terms agreed with the European Union and the International Monetary Fund for a multibillion-euro bailout.

On Monday, the Greens announced they would seek to leave the government and precipitate a general election by the end of January. Criticism of Taoiseach (Prime Minister) Brian Cowen and his government also increased from backbench Fianna Fáil TDs (Teachta Dála—members of parliament), with a number calling for his resignation. Both moves are intended to forestall demands for an immediate general election from the opposition parties.

Such calls do not express any fundamental disagreement on austerity measures that will see a further €15 billion of spending cuts by 2014. Rather, they reflect concerns that the current government, which is deeply unpopular after implementing four austerity budgets since 2008, is no longer in a position to carry through the necessary measures and appease market fears of state insolvency.

Even as they announced their intention to leave the government, the Greens made clear that they would first give their full support to the four-year austerity plan to be published today. They will also support next year's budget, which will be presented to the Dáil on December 7. Party leader John Gormley declared in a statement, "Leaving the country without a Government while these matters are unresolved would be very damaging and would breach our duty of care."

On Monday evening, Cowen said that he would call a general election after the budgetary process for 2011 had been completed, which will likely run well into next year. In comments on RTE radio's *Morning Ireland* on Tuesday, Transport Minister Noel Dempsey warned that any support from the EU and IMF would be jeopardised if this process is delayed. "We don't have the luxury of time in relation to this," he said. "We asked for assistance, and we were given assistance on the basis of

the four year plan and that this budget was passed. If we can't do that, then this assistance isn't there."

This ultimatum was backed up by EU Economic and Monetary Affairs Commissioner Olli Rehn, who urged the Irish government to pass the budget and present the four-year plan as quickly as possible.

Also on Monday, two independent TDs, who give the government its slim majority in the Dáil, suggested they might not support the 2011 budget. The government's majority could be reduced yet further if, as is expected, Fianna Fáil loses a by-election in Donegal southwest tomorrow.

The possibility of a leadership challenge is being discussed. Prior to last night's parliamentary meeting of Fianna Fáil TDs, reports circulated of a meeting of those in favour of Cowen's resignation, to discuss possible successors. The *Irish Independent* claimed that Foreign Minister Micheal Martin, Finance Minister Brian Lenihan, Mary Hanafin and Dermot Ahern were leading contenders to take over. Criticism of Cowen came not only from the usual back benchers who have raised doubts about his leadership for some time, but also from those whom the press described as former Cowen loyalists.

Political instability has deepened against a background of renewed market concerns about the viability of Ireland's state finances. There are increasingly vocal fears of "contagion" and even the survival of the euro.

Ratings agency Moody's noted that the EU-IMF bailout would facilitate a transfer of yet more bank debt to the state, adding that Ireland faced a "multi-notch" downgrade of its credit rating next month even if the government proves able to pass the budget. In response, the stock market in Dublin fell on Tuesday, with bank shares falling 20 percent. Fears grew that the state would be compelled to increase its stake in Allied Irish Bank, one of the three banks that have received the most bailout funding so far.

The yield on Ireland's 10-year bond rose to a high of 8.65 percent, in a negative verdict on the chance of a bailout rescuing its economy. Other countries suffered as well, with a Spanish debt auction ending in a euro-era record for the premium investors demand to hold its debt.

The euro dropped 1.8 percent to \$1.338, raising speculation over its medium-term survival. Alan Wilde, head of fixed income and currency at Baring Asset Management, told the *Financial Times*, "Contagion is a big problem for the eurozone. The danger is that worries about Ireland will continue rather than ease, and the crisis will spread to Portugal and then to Spain. If Spain needs to be bailed out, then that raises worries about the eurozone as a whole."

German Chancellor Angela Merkel said the prospect of serial European bailouts was "exceptionally serious," with representatives of Britain's Lloyds TSB bank speaking of "virtually zero confidence" in the markets that "the bailout in Ireland will solve the European crisis."

With the ability of the government to pass the budget in doubt, Cowen has sought the support of the opposition, targeting Fine Gael. Commentators suggest that an agreement will likely be reached.

Cowen has contacted leading Fine Gael and Labour Party representatives and held discussions on the need for TDs to focus on the "national interest"—i.e., implementing EU/IMF diktat. He also invited opposition party delegations to participate in the discussions with the EU, a move that Fine Gael leader Enda Kenny accepted.

Fine Gael spokesmen held open the possibility that the opposition party may reach an agreement with the government to pass the budget if it met with their approval. This is the party forecast to head a new government after an election. It is fully committed to cutting €6 billion from next year's spending plans, and in reality agrees with the entire €15 billion cuts package.

Such manoeuvres are formally in contradiction to the party's demands for an immediate general election, but have the same essential motivation. Kenny commented, "What is needed now is an immediate general election so that a new government, with a clear parliamentary majority, can prepare the four year economic plan, complete negotiations with the EU and IMF and frame a budget for 2011."

In the Dáil yesterday, Kenny urged Cowen to bring the budget forward by a week, in the hope that the process could be completed by Christmas and pave the way for an election.

Labour, although ruling out support for a budget drafted by the current government, is in full support of deep cuts. It would most likely join any new government with Fine Gael, which would carry through the demands of the financial elite. Labour leader Eamon Gillmore absurdly argued that the EU/IMF support package, negotiations for which were officially announced on Sunday, strengthened Ireland's position and made swingeing cuts on the scale being discussed unnecessary.

Sinn Fein, which is seeking to benefit by claiming to oppose cuts, in fact backs the aim of sharply reducing the budget deficit to 3 percent of GDP. It has merely called for an extension of the time within which this should be done to 2016. At the same time, its nationalist rhetoric has been stepped up, and party leader Gerry Adams has announced his intention to give up his seat in the UK parliament in order to run for the Dáil in the upcoming election.

With the parliamentary parties all giving their support to budget cutting, a key role in containing the opposition that will inevitably intensify within the population will be played by the trade unions and those so-called "left" parties urging workers to support them. The unions have called a demonstration this Saturday, under the slogan "There is a better way." However, the unions are not opposed to spending cuts, as can be seen from their role since the onset of the crisis. In recent days, leading officials have urged that the unions be included in the negotiations with the EU and IMF, demonstrating their willingness to collaborate further in the destruction of social conditions.



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