

Ireland's main opposition parties signal support for austerity budget

Jordan Shilton

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Ireland's major opposition parties have signalled their support for the government's budget plans for 2011, to be voted on in the Dáil (parliament) December 7.

The 2011 budget is based on the four-year austerity plan presented by the Fianna Fáil-Green Party coalition government on Wednesday. The so-called National Recovery Plan sets out €15 billion of budget cuts by 2014, with €6 billion in 2011 alone.

Aimed at slashing government expenditure by one-quarter, the plan includes a €2.8 billion reduction in the social welfare bill, a reduction in the minimum wage, tax hikes for low-income workers, the introduction of US-style workfare and public spending cuts across the board. Some 13,200 public sector jobs are to go, on top of the 12,000 already eliminated since 2008.

The plan is tied in with a European Union and International Monetary Fund bailout package, reportedly set at €85 billion, for Ireland's insolvent banks.

This further massive handout of public funds to the banks, coupled with savage reductions in living standards, has not satisfied the international financial markets, however. Investors are continuing to push up the rate for Irish government bonds. Other European countries have also suffered, with Portugal now under sustained pressure to follow Dublin in accepting EU-IMF diktat with all its attendant social misery. (See, "Portugal passes austerity budget as speculative attack on Spain intensifies")

The concerns over Ireland are growing as it becomes ever clearer that covering the losses of its banks will require even more public funds. Investors drove down the shares of Allied Irish Bank and Bank of Ireland on Friday, in response to reports that measures may be taken to make bondholders liable for a limited proportion of the bank losses.

With the euro coming under ever greater strain, the pressure is on for the EU-IMF bailout package for Ireland to be finalised before the opening of trading on Monday.

Euro-area finance ministers are said to be planning to finalise the agreement on November 28.

Under such conditions, the Irish political establishment has made clear the austerity measures must pass.

In a statement to the Dáil on Thursday, Taoiseach (Prime Minister) Brian Cowen insisted that the cuts were the only way forward for a future government. He added that it was a "realistic appraisal" of the current situation and that any alternative proposals from a new government would have to impose similar levels of cuts.

Cowen had earlier agreed that a general election would be held sometime after January, once the measures are agreed. His remarks to the Dáil make plain that, whatever the outcome of that election, there will be no fundamental change of course.

The Greens have already given their full support to the four-year plan. Even while calling for a fresh general election, they made clear that this should not take place until the 2011 budget is passed.

Opposition parties have similarly underscored their agreement with the fundamentals of the plan, criticising only certain features of it.

A general election is expected to result in a Fine Gael/Labour coalition. Both parties agree on the need for a €15 billion "adjustment" by 2014.

Fine Gael leader Enda Kenny stated that, in discussions with the EU, he had been told that a new government need not be bound by the details of the plan—only the amount of cuts. This was backed up by opposition spokesman on finance, Michael Noonan, who told the Dáil that Fine Gael was committed to the targets of the plan but not the specifics.

Fine Gael has publicly claimed it would reverse the cut in the minimum wage. Nonetheless, the party supports "frontloading" the budget to make €6 billion cuts next year, and has held out the possibility that it will support the package proposed by the government in little over a

week's time.

Labour has also accepted the key features of the plan, including the aim of reducing the budget deficit to 3 percent of GDP by 2014. In an interview on RTÉ news on Thursday, Labour leader Eamon Gilmore said that, if in government, his party would examine budget decisions that were “blatantly unfair” case-by-case.

Challenged on whether Labour was now retreating from its pledge not to reverse any decisions in the upcoming budget, Gilmore rejected this, stating that it was a matter of looking at specific areas. “I don't think that anybody in the coming election can get into promises that will not be deliverable after an election,” he said.

Labour still maintains that €6 billion in cuts in 2011 is too much—it proposes €4.5 billion instead. Such differences are meaningless, however. As Stephen Collins wrote in the *Irish Times*, “Given the fact that this figure has been agreed by the (EU) commission and the IMF, it is difficult to see how it can be avoided. Potential differences between Fine Gael and Labour will be glossed over by the passing of the budget as both parties will have no option but to sign up for the €6 billion figure if they take power after an election in February or March.”

The media and political establishment is rallying behind Cowen in his determination to impose the burden of the economic crisis on working people. In the same article, Collins described Cowen's presentation of the four year plan as “an assured performance”, that “defended the tough medicine” that is required. Only days before, the media and political opposition were declaring that Cowen's political career was at an end, with opposition parties even seeking a vote of no confidence in the Dáil.

Fine Gael and Labour's criticism of aspects of the plan are aimed at placating enormous opposition within the population to the austerity measures. A demonstration in Dublin Saturday, called by the Irish Congress of Trade Unions (ICTU), is expected to attract tens of thousands from across the country.

The ICTU has already collaborated with the imposition of nearly €15 billion of cuts since 2008 through its no-strike Croke Park Agreement with the government. But leading figures within the bureaucracy have warned of the danger of social unrest, which the unions are determined to prevent.

Another expression of public anger came in Thursday's by-election in Donegal southwest, which saw a massive anti-government vote. Fianna Fáil lost the seat as its support dropped by more than half, from 50 percent to around 21 percent.

The loss narrows the coalition's majority to just two seats ahead of the budget vote. It needs 82 seats to pass the budget, and currently holds 76. It can count on the support of four other non-coalition members, still short of the required number.

The main beneficiary of the Donegal result was Sinn Fein, whose candidate Pierce Doherty was elected with nearly 40 percent of the vote. Sinn Fein's criticisms of the National Plan have won it some popularity, particularly its demand for a new 48 percent income tax rate on higher earners.

In reality, Sinn Fein supports the need to reduce spending, merely arguing that this should be spread out over a longer time frame. In its economic programme published earlier this month, Sinn Fein outlined a plan to raise over €5 billion through tax hikes and spending cuts. This breaks down to €4.1 billion in new tax measures, and slightly over €1 billion in spending reductions. The latter are supposedly to be achieved through the elimination of “waste”.

Sinn Fein's economic programme as a whole offers no solution to the crisis. It proposes an economic stimulus package of €7 billion over three and a half years, which will be funded by removing money from the national pension fund. This, it is claimed, will allow the economy to once again return to stable growth.

It should be noted, moreover, that in Northern Ireland, where Sinn Fein sits in government with the Democratic Unionist Party, there are plans to implement a budget that would reduce spending by over 6 percent.



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