Irish Labour Party and Fine Gael commit to savage austerity

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8 March 2011

After days of negotiations, the Labour Party and Fine Gael have approved a coalition government in Ireland, based on imposing savage attacks on the working class.

The proposals outlined represent not only a continuation, but an intensification of the measures implemented by the outgoing Fianna Fáil-Green Party coalition that saw both parties savaged at last month's general election.

The tasks of the new administration will be to impose deep cuts to public spending, mass layoffs and to ensure the continued bailout of the financial elite. The coalition programme commits to reducing the public deficit to less than three percent of GDP by 2015, a year longer than Fine Gael advocated in the election. It maintains plans to slash spending by 6 billion euros in the next year, while making a vague reference to the possibility of the targets being redrawn for the 2013 budget.

With electioneering out of the way, the process of justifying even more draconian austerity measures has begun. Fine Gael finance spokesman Michael Noonan, speaking after a briefing on the economy from the Department of Finance also attended by Labour, claimed that Ireland's position was even worse than he had previously thought. New information had come to light that had not been available to him in opposition. This was echoed by Labour negotiator Pat Rabbitte, who said that matters had arisen since the election that the opposition parties had previously not been briefed on.

Both parties claimed during the election campaign that they would seek a renegotiation of the European Union (EU)-International Monetary Fund (IMF) bailout for the Irish banks. This fraud has already been exposed. Asked last week about the possibility of senior investors bearing increased cost for banking losses, EU Economic and Monetary Affairs Commissioner Olli Rehn ruled out such a course of action. He told the press, "The issue of bondholders—senior debt in the banks—is not on the cards, nor on the agenda concerning Ireland."

At a meeting of the conservative European Peoples Party (EPP) in Finland last Friday, attended by German Chancellor Angela Merkel, any attempt by Ireland to renegotiate terms was strongly rejected. Merkel ruled out any alterations, stating bluntly, "Relief isn't the issue. We have to find solutions that fit the bill. There will always be give and take. To make certain things possible, further commitments, further conditionality will be necessary."

Such "further commitments" are a coded reference to the need for the new administration to intensify the austerity measures demanded by international finance capital. Labour will play the key role in the new administration by seeking to contain popular anger, utilising its links with the unions to police any working class struggles that emerge. The agreement grants Labour the task of overseeing public sector "reform", as well as a position managing public spending. Fine Gael will have cabinet posts in the finance department, with control over the budget and bank financing.

The continuity between the outgoing and new governments was symbolised last Thursday, when party negotiators were briefed by economist Colm McCarthy. In 2009 McCarthy authored a study that became known as the "board snip" report, recommending over 6 billion euros in efficiency savings. More recently, he has produced a document advising the government how to offload "non-strategic" state assets. To avoid arousing the public anger, the publication of the report was withheld until the elections were out of the way.

The coalition deal commits the government to

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dispose of over two billion euros of state assets. This task will be entrusted to a Labour minister, who in collaboration with the trade unions will seek to drive down the pay and attack the working conditions of public sector workers. Up to 25,000 people will lose their jobs by 2015.

The unions have continued their praise of Labour, even though it has arranged with Fine Gael one of the most right-wing government programmes in Irish history. Irish Congress of Trade Unions (ICTU) Chairman David Begg maintained a diplomatic silence on the government talks, saying that it was not union policy to comment on such matters.

Sections of the union bureaucracy are conscious of the fact that the new administration confronts huge challenges, even with a large majority in the Dáil (Parliament). In a warning directed at Labour, Unite trade union regional organiser Jimmy Kelly urged, “The Labour Party has an historic opportunity to become the official opposition in the 31st Dáil, leading a greatly-expanded left-wing coalition. The prospect of a left-led government in the short-term has been greatly enhanced.”

Kelly is expressing the fear that Labour will discredit itself too quickly by entering such a right-wing government. Under conditions where social tensions are at breaking point, he thought it necessary to advise the party that a period in opposition would be preferable—offering the opportunity for Labour to posture as a defender of working people against the savage cuts being implemented.

Here is a party that has run a campaign calling for 4.5 billion euros of cuts in 2011 and 7 billion by 2014 being described as “left wing”. Likewise Sinn Féin, which won a record 14 seats in the Dáil, has offered to collaborate with Fine Gael on certain issues. Outside government buildings on Thursday, Sinn Féin president Gerry Adams, who will lead the party in the Dáil, stated, “The test of this government is whether it is going to reverse the awful economic misery that has been visited upon citizens, or continue with more of what Fianna Fáil gave us”.

Hinting that his party may offer backing to the coalition, he continued, “Sinn Féin will be the only coherent voice of opposition, and we will be a constructive opposition”.

In Northern Ireland, where the party’s rhetoric has been tested, it has been a willing partner in implementing the demands of the financial elite for the slashing of public spending.

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