Irish government outlines programme of deep cuts

Jordan Shilton
22 March 2011

Last week, the new programme of the Fine Gael-Labour Party coalition was overwhelmingly supported by the Dáil (Parliament) by 103 votes to 42. Its contents confirm that the new administration in Dublin will intensify the course pursued by the previous Fianna Fáil-Green Party government.

The programme commits the coalition to the implementation of savage cuts to reduce the budget deficit, the wide-ranging privatisation of public services, a continuation of Ireland's low-tax regime for big business, and the ongoing bailout of the financial elite. These policies will drive thousands more into poverty, expand levels of social inequality and see a sharp rise in joblessness at a time when the unemployment figure is already over 13 percent.

The contents of the plan have undoubtedly been dictated by the European Union (EU) and International Monetary Fund (IMF), as well as powerful sections of big business. The *Irish Times* reported last Thursday that the new government had held a two-hour meeting with representatives from both organisations, with the article noting that "Senior officials from the IMF and the European Union have raised no objection to the Coalition's programme for government."

The programme was introduced in a speech by newly installed Taoiseach (Prime Minister) Enda Kenny. Kenny received the assent of parliament on March 11, before appointing Labour leader Eamon Gilmore as his deputy. His speech combined outright lies with rhetoric about a change from the outgoing government.

Kenny began by declaring, "Ireland is facing an economic and social crisis with few parallels in our history."

He then attempted to foist the blame for the state's financial crisis on to ordinary people. Instead of the vast sums of money that have been handed over to the banks since 2008, the real problem was the unsustainable level of public spending, he asserted. "Closing the gap between tax revenue and expenditure requires painful but necessary decisions over the years ahead," he said. "It's important to emphasise that this gap exists independent of the banking sector—and must be closed if we are to return to the markets at the end of the EU\IMF programme."

The claims of the government were made even as it became evident that still more public funds would be required to bail out the country's bankrupt financial institutions. Newly appointed Finance Minister Michael Noonan declared last week that the €10 billion allocated to support the banks under the EU-IMF deal would likely be insufficient, declining to comment on how much more would be required until the banks had undergone a new round of "stress tests."

Kenny stated that "tough" measures were needed. He claimed that the programme of his government had been fully endorsed by the population, including the plan for swingeing cuts to meet the targets set by the EU-IMF loan package. "The election of this new government, which is composed of parties which between them obtained 55.5 percent of the popular vote on the 25th of February, has brought the composition of the government into line with the recently-expressed wishes of the people," he said.

The reality is that all of the parties running in the elections committed themselves to the implementation of drastic cuts, leaving the electorate with no means of expressing their overwhelming hostility to such an agenda. Labour and Sinn Fein, though posing as "lefts", produced their own plans for spending cuts, while the United Left Alliance sought to boost illusions in the ability of the Labour Party and trade unions to defend workers' living standards.

Kenny expressed the indifference of the government towards the impact that the economic crisis was having on ordinary people. His main concern was that Ireland had lost credibility internationally as a place to invest, with its reputation in the EU a particular focus.

Ensuring that this situation was reversed required offering incentives to business. Kenny committed the government to the maintenance of Ireland's 12.5 percent corporation tax rate, the lowest in the EU. All of the establishment parties share this commitment, and the suggestion was made by Kenny that a cross-party statement on the matter could be presented in the coming period.

The move was a direct response to the comments of French President Nicolas Sarkozy, who said that if Ireland was seeking renegotiation of the EU-IMF loan deal, then its corporation tax rate should be increased in return. According to diplomats, his position received endorsement from German Chancellor Angela Merkel at a recent EU meeting, who demanded concessions from Ireland in exchange for a possible lowering of an interest rate that puts the other European powers at a competitive disadvantage.

Combined with the commitment to defend big business's access to a low-tax regime, the coalition outlined a wide-ranging plan for public sector reform—a euphemism for sweeping privatisation and sharp reductions in services. This project will be overseen by a Labour minister in the coalition government, Brendan Howlin.

The relationship between Labour and the unions will be a critical tool the government will utilise to drive through its agenda of cuts and privatisation. This will include the introduction of universal health insurance, which will further open up the sector to private exploitation, the cutting of more than 20,000 jobs in the public sector, as well as "efficiency savings" across the board.

Kenny, in his inaugural speech to the Dáil, declared, "We intend to use the full potential of the Croke Park Agreement to deliver on these reforms."

Croke Park is an agreement between the former government and the unions, which saw the enforcement of a four-year strike ban and pay cuts, in exchange for a meaningless commitment to no compulsory redundancies.

Through this alliance, the "most ambitious" public sector reform programme in the history of the state would be implemented, according to Kenny. He acknowledged that the goal was to make the public sector "smaller and more efficient". This would be done by launching a comprehensive spending review of every department, a move that opens the door to the removal of yet more vital social services.

Together with a substantial reduction in the size of the public sector, the turn towards the private sector was outlined. Kenny talked of "empowering" citizens by allowing them to "acquire services tailored to better suit their needs and less expensive for the taxpayer." For those services that remained nominally in the public sector, there would be an increased focus on targets, with Kenny warning that there would be "clear consequences for success and failure."