Finnish ex-left joins right-wing coalition government

Jordan Shilton
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New Prime Minister Jyrki Katainen of the conservative National Coalition Party unveiled a six-party coalition last Wednesday in Helsinki. It includes the Social Democrats (SDP), the Left Alliance, the Greens, the Swedish Peoples Party and the Christian Democrats.

The coalition is dedicated solely to imposing severe austerity on the Finnish population, while continuing support for the bailout of Europe's financial elite.

Talks on the formation of the coalition broke down at one stage and were concluded after almost two months. In a speech in parliament, Katainen warned that his administration was prepared to impose savage cuts and other austerity measures. "We need to be psychologically prepared for the fact that the Finnish economy and welfare society will face challenges," he said. "This will probably be a big central question during this government term."

Government talks had come under mounting pressure from the European Union (EU), which demanded a quick resolution to the "uncertainty" in Helsinki. This was driven initially by concern in Brussels that Finland would not back a bailout for banks and investors in Portugal. But EU officials also made clear their insistence that a government must be formed capable of carrying through the full range of unpopular measures at home demanded by the European financial elite. As EU economic and monetary affairs commissioner Olli Rehn stated, "It is very important from the point of view of both Finland and Europe that Finland should soon get a functioning majority government that brings the nation together."

His reference to national unity reflects the fear in ruling circles over mounting class tensions in Finland, which will only be intensified by the programme of the new government. The fake-left parties have been brought in with the express purpose of providing a false legitimacy to claims that cuts serve the interests of all Finns, rather than the banks and super-rich.

The new government committed itself fully to the bailout of Portuguese and European banks last month by supporting the EU-international Monetary Fund (IMF) bailout package of €78 billion to Lisbon. In negotiations over a second bailout to Greece, Finland has been one of the EU members pushing most strongly to compel the government in Athens to sell off state assets to funnel yet more money into the coffers of the financial elite.

Finland's ruling elite can rely on the ex-left organisations to defend their interests. Past experience has shown that these parties are fully prepared to implement the dictates of finance capital, as was displayed when a coalition involving the SDP and Left Alliance led the attack on the working class and brought Finland into the euro as a response to the economic crisis of the early 1990s.

The inclusion of the Left Alliance disproves all claims it has to opposing mass austerity and the bailout of the financial elite. An openly right-wing government would provoke overwhelming hostility within the population, leading to social unrest. Katainen could have proceeded without the Left Alliance and still secured the support of 112 of the 200 lawmakers in parliament. He can now rely on them to help draw up and carry through the billions in cuts he must make.

Even as he prepares to take the axe to public finances, Left Alliance leader Paavo Arhinmäki enthused over the coalition's proposal to provide limited subsidies to those on low pay, claiming that social inequality would be reduced. "This is the biggest extended hand to the

very poorest that has happened in my lifetime," he boasted. "I am very proud of these achievements."

Commenting on the programme as a whole, Social Democrat leader Jutta Urpilainen added that it represented a "change in political direction."

The reality is very different. In total, Katainen's coalition has outlined €2.5 billion in spending cuts, which equates to slightly more than 5 percent of the state budget. The main areas targeted will be education, where €300 million of cuts will be made, as well as funding for local authorities.

Taxes on the poorest will in fact rise. In a move aimed at placating the "left" parties in the coalition, proposals to raise VAT were abandoned, but the parties agreed to an increase in excise taxes, which covers electricity and heating fuel. This will see a sharp rise in energy prices hitting those with lower incomes disproportionately harder. Petrol, soft drinks, tobacco and alcohol will be impacted. Meanwhile, corporate tax rates are to be cut.

Local authorities are also expected to increase municipal taxes to offset a funding reduction of €630 million from central government.

This is only a down payment and will be followed by more drastic measures. The release of the government programme after nearly eight weeks of talks was greeted coolly by business circles, with many complaining that the cuts outlined did not go far enough. Katainen and the National Coalition were chastised for having conceded too much ground to the "left" parties—the Social Democrats and Left Alliance.

Katainen insisted that the coalition understood that more was required. In his first speech in parliament as prime minister, he declared, "We will undoubtedly have to make new policy decisions on the way."

The ex-left will sign up to whatever else is demanded. Economists at the ministry of finance calculated that the cuts presented in the programme would only slow the growth in state debt marginally. According to their figures, state finances will be in debt by more than €90 billion by 2013, roughly 46 percent of Finland's GDP. Although comparatively low when considered against an average state debt of 100 percent of GDP in the developed world, it is still much higher than the level laid down by EU legislation.

In any event, the ruling elite is intent on using the current crisis in order to shift social and economic relations decidedly in favour of the global financial oligarchy and to push the working class into a state of penury.

The level of state indebtedness led to a warning from the EU commission in 2010 on the need to cut public spending consistently over an extended period. As well as this, the current government will come under pressure to increase the retirement age, with Finland's aging population seen as an intolerable burden on state finances by the ruling elite.