

Netherlands government falls over austerity budget

Chris Marsden
24 April 2012

With the resignation of Dutch Prime Minister Mark Rutte, the Netherlands joins a growing list of countries whose governments have fallen from power as a result of the sovereign debt crisis and the demands of the International Monetary Fund (IMF) and European Union (EU) for ever more savage austerity measures.

In Portugal and Spain, rightist parties benefited from the political difficulties faced by social democratic parties in ramming through cuts amounting to billions of euros. Greece saw the formation of an unelected coalition of the formerly governing social democratic PASOK, the conservative New Democracy and the neo-fascist LAOS. In Italy, a government of “technocrats” was imposed, directly, as with Greece, at the behest of the EU, the IMF and European Central Bank (ECB).

Governments have also fallen in Slovakia and Slovenia. To this list can be added Ireland, where disaffection with Fianna Fail resulted in the election of a Fine Gael-Labour Party coalition.

Rutte heads the free market liberal People’s Party for Freedom and Democracy (VVD) and led a minority government that included the Christian Democrats (CDA). It was able to rule only with the support of the far-right Freedom Party of Geert Wilders.

The VVD and CDA came to power in 2010 due to disaffection with the fractious coalition headed by the CDA after the Labour Party (PVDA) decamped, citing the decision to extend Dutch military participation in Afghanistan.

The VVD-led government collapsed after just 558 days when Wilders pulled out of talks aimed at cutting the annual budget by €16 billion. Wilders feared that his party was hemorrhaging support due to its association with the austerity measures.

In a country of about 16 million people, the €16 billion in social spending already slated to be cut is

equivalent to over €100 billion in Germany and \$570 billion in the United States. The additional cuts being sought are staggering in their social implications.

The crisis in the Netherlands has major ramifications. Its economy is considered one of the strongest in Europe and Dutch sovereign debt has a AAA credit rating. The fall of the government of a core member of the euro zone bodes ill for the very survival of the single currency.

The Netherlands’ protracted and deepening political instability is a manifestation of the explosive social tensions being generated by the relentless demands for cuts by the financial markets and the so-called “troika” (the IMF, EU and ECB).

The Netherlands had been instructed to submit its budget plan to the European Commission by April 30, under conditions where its 2013 budget deficit is expected to hit 4.7 percent of gross domestic product (GDP), compared with the EU target of 3 percent. But both Wilders and Socialist Party leader Emile Roemer refused to back the measures proposed by the VVD.

Whatever the posturing of the opposition, Europe’s ruling elite will only step up their demands for austerity. Massive pressure is already being placed on the Netherlands to toe the line, with stock markets and the euro falling in the face of the Dutch crisis as well as Nicolas Sarkozy’s poor performance in the first round of the French presidential election and dismal economic data.

Manufacturing output in Germany has also fallen to a three-year low. With figures for France and the wider euro zone showing a contraction, Europe is already in a double-dip recession.

On Monday, German shares fell 3.4 percent, French stocks dropped 2.8 percent, and British shares fell 1.9 percent. Shares also fell broadly on Wall Street.

The crisis is by no means confined to the Netherlands. Overall deficits across the EU have continued to grow, despite the austerity measures. There is widespread speculation that both Spain and Italy will be forced to seek a bailout that would exhaust Europe's stability fund and plunge the continent into a recession of unprecedented depth and duration.

The political establishment in the Netherlands will do all in its power to oblige the demands of the global financial elite. Finance Minister Jan Kees de Jager of the CDA returned from talks in Washington stating that the government would remain in power for five months and suggesting that it might still be possible to reach an agreement with other political parties to impose the austerity measures.

"For me it is important, as a message to financial markets, that no matter the circumstances, the Netherlands will continue to strive for budgetary discipline," he said.

A parliamentary debate is to take place today to consider whether to hold a general election before or after the scheduled summer recess. A delay would be considered preferable for some within Europe's ruling circles, despite the instability this implies, given that an election is likely to result in yet another unstable regime.

Opinion polls suggest that 11 parties would win seats in a general election, leaving no party with an overall majority. Indicating the growing sentiment against the austerity measures demanded by the EU are predictions that the euro-sceptic Socialist Party (SP), which began life as a Maoist formation, will double its parliamentary representation from 15 to 30. This compares with predicted losses for the most right-wing parties—the CDA and, at least for now, Wilders' Freedom Party.

A meeting of parliamentary leaders yesterday reportedly showed a slim majority in favour of elections on June 27. Early elections were supported by Wilders, Labour Party leader Diederik Samsom, and Socialist Party leader Emile Roemer.

In the meantime, there will be desperate efforts to cobble together an interim agreement providing sufficient parliamentary votes to push through the cuts. This would require the support of Rutte's liberals, the Christian Democrats and others—with Labour, the Christian Union and the D66 party likely to be courted. The latter three parties support the cuts, but are asking

for them to be staggered over a longer time period.

Samsom has said Labour will work with the liberals, but he wants to secure some minor compromise to cover his flank in the run-up to the general election. Everyone fears being punished at the polls if they are seen to be instrumental in getting the budget cuts through.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact