

Dutch elections: All parties support austerity

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12 September 2012

On Wednesday, though around 12.5 million are eligible to vote in the Netherlands federal election, workers have no real alternative. Amid a rapidly worsening economic crisis, all parties favour of one or another type of austerity measures dictated by the European Union and the financial markets.

The previous government led by Mark Rutte of the free-market VVD (People's Party for Democracy and Freedom) and its coalition partner, the Christian-Democratic CDA, sought to introduce budget cuts of 14 billion euros (US\$18 billion). The government's plan to raise the retirement age from 65 to 67 led to the collapse of the coalition in March, however, after the anti-Islamic Party for Freedom (PVV) of Geert Wilders withdrew its support for Rutte's minority government. This resulted in the current elections, the fourth ballot in ten years.

Despite the political crisis, the Rutte government went on to arrange a 12.4 billion euro austerity package. The Green Left (GL), the conservative Christian Union (CU) and the left-liberal D66 helped the coalition to achieve the necessary majority. The package included cuts in social security and health care, job cuts, a freeze on public sector wages, and a VAT (value-added tax) increase.

The adoption of the austerity package by the so-called Kunduz coalition (the same five parties supported a Dutch police mission in Afghanistan last year) made clear that all parties support austerity, differing merely over how to enforce it. The same goes for the Socialist Party (SP), which was ahead in the polls for a time. (See: "Socialist Party leads polls in Dutch elections")

The policies of the SP, which originally emerged from a Maoist group, are so right-wing that the party has rapidly lost its lead in the polls. According to recent surveys, Rutte's VVD and the social democratic PvdA are expected to take 35 seats in the 150-member Lower House. The SP, which two weeks ago was set to win 36

seats, is now polling at 21, six more than its current total.

The social democrats (PvdA) have carried out a US-style election campaign centred entirely on its leading candidate, Diederik Samsom. The former Greenpeace activist toured through the country accompanied by his family, including his disabled daughter, winning considerable media attention along the way.

The election outcome remains open, with an estimated 43 percent of voters apparently still undecided. At the centre of the campaign is the impact of the euro crisis for the Netherlands. Last year, the budget deficit of the fifth largest economy in the euro area stood at 4.7 percent of GDP, well above the proscribed EU limit of 3 percent.

The right-wing liberal VVD and the Christian Democrat CDA openly endorse rigorous austerity measures. The VVD has pledged to make additional cuts of 7 billion euros to the health care budget, although the system was largely privatised in the 1990s.

For their part, the social democrats and SP encourage illusions that the EU would be prepared to negotiate a postponement of the country's budget cuts. The financial spokesman for the PvdA, Ronald Plasterk, declared: "We think it unwise to take drastic measures just to reach the deficit target by 2013". He was convinced a deal with Brussels was possible.

Emil Roemer, the leading candidate of the SP, has declared he wants to defer the budget cuts until 2015, but has not rejected the cuts in principle.

In fact, international financial institutions and the banks already have the Netherlands in their sights and, like Greece, Spain or France, will not tolerate any delay in implementing budget cuts. The country has been completely engulfed by the international economic crisis and the rating agency Moody's recently threatened to downgrade its credit rating.

The *Volkscrant* newspaper reported last week that the

Dutch ABP Group, one of the world's largest pension funds, has threatened to slash pensions due to the economic crisis and low interest rates. ABP manages the funds of 3 million workers and pensioners in the public service in the Netherlands. If the basis for the calculation of pension contributions is not changed, ABP has warned, it will cut its pension payments 10 to 15 percent.

According to *Volkskrant*, the pension contributions demanded by 17 other major funds could rise by almost 30 percent.

Meanwhile Dutch real estate prices have fallen by 15 percent since 2008; the country has the highest mortgage debt per capita in the EU. The total of all outstanding mortgage debt has increased from 140 billion euros in 1995 to 640 billion euros today, or 105 percent of GDP. According to a forecast by the Dutch Central Bank, one-third of all mortgages will no longer be covered by house prices should they fall by another 10 percent.

The bursting of the mortgage bubble would primarily affect the largest banks that finance much of this mortgage debt. In June Moody's already downgraded five of the country's largest financial institutions which have shed huge numbers of jobs in recent years. At the end of last year the country's largest bank, ING Bank, announced that over the next two years it would shed 2,700 of its total workforce of 20,000 in the Netherlands.

In 2011 the trade unions had already agreed to the graduated elimination of 11,000 jobs in the international postal and delivery service, TNT. The former state-owned postal and telephone company, KPN, has also announced the elimination of 5,000 jobs by the end of next year.

In the first half of 2012, more than 4,100 Dutch companies filed for bankruptcy, in particular financial institutions. Unemployment is soaring to record levels. In July 14,000 people lost their jobs, around 500 each day. For the first time in years, over half a million Dutch citizens are officially registered as unemployed.

The working population will face intensified attacks after the election. Many companies are holding back from sacking workers until the government implements legislation to abolish employment protection and expensive compensation packages. Social Affairs Minister Henk Kamp (VVD) has already mandated the

Social Economic Council (SER) to look into this issue. The SER is a corporatist institution in which company and union representatives sit together with experts to prepare policy guidelines.

Kamp explained that the next government would undertake this reform immediately after the election. At the same time, he is also drawing up plans to extend the working week.

At the end of last year Kamp announced that the unemployed would be put under further pressure. They must "do everything to find work", he said, i.e. be prepared to accept low wages and work in another part of the country. If not, they would lose their right to unemployment or social assistance.

Business circles would welcome a revival of the coalition between the social democratic Labour Party and the VVD to enforce a program of job cuts, wage cuts, labour market deregulation and the abolition of social gains. Between 1994 and 2002 the social democrat and union leader, Wim Kok, headed a similar type of coalition, and largely dismantled the Dutch welfare state.

If it wins the election, a government led by the social democrat Rutte Samsom would place the abolition of remaining social and democratic rights at the top of its agenda.



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