Irish financial elite presses government for deeper austerity

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The impact of the on-going global economic crisis on Ireland has prompted demands from the financial elite that the government expand its austerity measures.

Announcing figures which showed a sharp slowdown in economic growth since August, the Irish Central Bank urged the Labour-Fine Gael government to take swift action to assuage investor uncertainty. The data saw economic growth for this year revised down from 0.7 per cent to 0.5 per cent, and the outlook for 2013 also reduced.

Chief Economist at the Irish Central Bank Lars Frisell stated, “Additional measures may have to be taken to reach the budgetary targets next year, because of lower growth.”

The Central Bank’s assessment indicates the significant dangers which the economy confronts. It warned that without an upturn in the economy, the budget deficit could reach 10 percent of GDP in 2015, meaning that the continuous austerity since 2008 will have achieved no reduction in the budget deficit. Meanwhile, the debt-to-GDP ratio threatens to rise to 140 percent of GDP by 2015. Although these figures are presented by the bank as worst case scenarios, there is little hope that economic conditions will improve sufficiently to allow the budget deficit target of 3 percent of GDP to be reached by 2015.

The problems of the Irish economy are being driven by the developing recession in Europe, as well as a slowdown of the global economy as a whole. The Central Bank report warned that there were no signs of recovery any time soon, declaring that its downward revision of growth prospects “reflects a more protracted than expected slowdown in virtually all of Ireland’s main trading partners, which seems likely to extend into the first half of 2013.”

As part of Ireland’s 85 billion euro bailout from the European Union (EU), European Central Bank (ECB) and International Monetary Fund (IMF), the Labour-Fine Gael coalition is preparing to implement austerity measures of 3.5 billion euros in the 2013 budget due later this year. This comes on top of more than 25 billion euros of spending cuts and tax hikes imposed since the crisis first emerged in 2008.

Already this year, 260 million euros of emergency cuts to the healthcare budget were announced after it became clear that the measures outlined in the budget last December were insufficient to comply with bailout targets. The measures eliminated services upon which some of the most vulnerable sections of the population rely, including care packages for the elderly and disabled.

A recently published IMF report called upon the government to do more to lay out its long-term austerity plans. It also demanded the slashing of welfare benefits, cutting pension entitlements, and reducing the public sector pay bill.

The best means to slash public sector pay has been the subject of a long-running debate, with some calling for the abandonment of the Croke Park Agreement between the government, trade unions and employers. Reached in 2010, the agreement commits the government to no cuts in base salaries, whilst the unions guaranteed efficiency savings and a four-year no strike pledge.

The agreement has acted as a mechanism through which the unions have smothered any opposition to the austerity measures of the ruling elite within the working class. Through their collaboration, annual savings of an estimated 1.5 billion euros have been achieved, above all through the elimination of non-salary allowances and bonuses, and a hiring freeze in many departments. The hiring freeze has seen staff levels fall by over 30,000, roughly 10 percent of public sector employees.

Across both the public and private sectors, the results have been devastating for working people. Ireland is the country in the EU which has achieved the largest decline in labour costs since the onset of the crisis, as average labour costs have fallen by over 6 per cent.

But this is no longer sufficient. Last month, Taoiseach (Prime Minister) Enda Kenny instructed all cabinet ministers to prepare written submissions on how they could “accelerate” the savings being achieved through Croke Park. Together with Deputy Prime Minister and Labour Party leader Eamon Gilmore, he will be meeting individually with every department minister over the next two weeks to discuss further cuts to pay and working conditions.

Discussions are also taking place on the need to overhaul the welfare system, which the IMF has identified as in need of reform. The Economic and Social Research institute held a conference recently at which the welfare reforms of the Conservative-Liberal government in Britain were discussed. One paper recommended that Ireland do away with many of its current benefits and replace it with a universal credit. When it is implemented in Britain in 2013, this policy shift will see the welfare bill cut sharply.

Reports suggest that Finance Minister Michael Noonan could announce a cut in child benefit by 40 euros per month in the budget, from 140 euros to 100 euros. This comes on top of cuts to child benefit and other social welfare payments in this year’s budget, while a household charge of 100 euros was implemented.

The government intends to use the household charge as a means to establish a much more substantial property tax, linked to the value of homes. Noonan announced that the new tax will come into force next July, making homeowners liable to pay tax for half of 2013 and then each January thereafter. Estimates have suggested that the new tax could cost an average householder up to 1,000 euros per year.

This is another area in which the government has relied directly on the trade unions and their ex-left apologists to implement the dictates of the financial elite. When the household charge was initially announced at the end of 2011, a broad-based campaign emerged in opposition to the move.

Meetings were held across the country, and even in small villages several hundred residents came to public meetings to express their hostility.

The ex-left, organised in the United Left Alliance, took control of the campaign and turned it in to a toothless non-payment initiative. A national meeting was held in Dublin and a march on the Labour Party conference in Galway with the aim of pressurising the government. When the deadline for the payment of the charge passed at the end of March, and with over 50 percent of householders having refused to pay, the unions and ULA wound up all protest activities, leaving individuals to confront the legal threats and fines for late payments which the state enforced.

As a result, many of those have felt compelled to pay the charge. The demobilisation of this opposition has now created the conditions under which the government can force through a property tax which will place an even greater burden on ordinary working people.