Banks and European Union demand further austerity in Irish budget

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The Labour-Fine Gael coalition in Dublin is preparing to impose a budget including up to €3 billion in further cuts, on top of more than €30 billion in austerity implemented since the outbreak of the economic crisis in 2008.

The troika of lenders in the European Union (EU), International Monetary Fund (IMF) and European Central Bank (ECB) have declared their firm opposition to any deviation from the original target of €3.1 billion in savings next year, as agreed under Ireland's bailout programme. They insist that failure to implement such measures will result in a loss of confidence on financial markets at the point where Dublin is preparing to exit its €85 billion bailout programme at the end of the year, and will mean that Ireland fails to reach the target of a budget deficit of 5.1 percent of GDP next year.

Considerable concerns remain over the state of Ireland's economy. Although growth returned in the second quarter of this year, officially ending a period of recession, the growth rate of 0.4 percent was far below that anticipated by the government. The coalition's economic projections have consistently proved to be too optimistic, increasing the pressure for deepening the austerity drive.

Jörg Asmussen, Germany's representative on the board of the ECB, said in a recent interview with national broadcaster RTÉ, "It is crucial the authorities stick to the programme's objectives as they have done to ensure the country remains on a sustainable path."

His comments came as discussions continued over the possibility of reducing slightly the overall figure of budget cuts. Labour leader and deputy prime minister Eamon Gilmore has suggested that only €2.5 billion of cuts need to be made in order to comply with spending targets. A provisional agreement within the coalition to reduce the budget by €2.8 billion has reportedly been reached, but this depends on tax return figures due out this week.

Labour is seeking to present itself as an opponent of the most brutal social cuts. Such a claim could not be more dishonest. This is a party that has led the drive to impose a programme of multibillion austerity measures since coming to power in 2011. The party has supplied the leadership in the Ministry of Public Expenditure, where Brendan Howlin has played the decisive role in the dismantling of public services and attacks on the wages and working conditions of public sector workers. A Labour minister also heads the Social Welfare Department, where benefit payments have been slashed.

The superficial divisions over the final figure for the 2014 budget are merely over the best means to impose the full cost of the crisis on a population that is already suffering under unprecedented levels of poverty and social misery. A recent study revealed that one in five adults in the country have only €20 per month left after essential bills have been paid. The unemployment rate of 14 percent would be much higher were it not for the fact that almost 10 percent of the population have emigrated since the outbreak of the crisis.

EU officials hail this social catastrophe as representing the beginning of a recovery and insist on the need to stay the course. Head of the EU Commission's economics department Marco Buti spoke in Dublin last week, where he praised Ireland for taking "major strides in improving competitiveness."

"After years of efforts, reform fatigue is discernible in a number of member states, but now is not the time to relax our efforts," he went on.

References to competitiveness are a euphemism for the slashing of labour costs, which have fallen in

Ireland dramatically. Estimates earlier this year suggested that public sector workers' earnings were down 14 percent since 2008.

Under new rules beginning this year, Ireland will have to submit its budget to the EU for approval, which will meet in November to consider its response. It will have the power to demand the implementation of additional measures if it deems that the savings achieved are insufficient.

Although details of where the axe will fall have yet to be made public, the government has been clear that it will target some of the most essential services and vulnerable sections of the population. Finance Minister Michael Noonan explained that the combination of cuts and taxes would be two-to-one in favour of budget cuts.

Criticism has been directed at Health Minister James Reilly for not imposing budget cuts with the necessary zeal. According to projections, the health department will have an overspend of €200 million this year.

Fine Gael representatives have raised the prospect of a benefits cap, along the lines of that implemented by the Conservative-Liberal Democrat government in Britain. Under this system, claimants of social welfare are barred from receiving more than a certain amount of support each week. It has been used to force the unemployed and poor from their homes in wealthier parts of large cities, particularly in London, and has helped create social misery not seen since the great depression.

Plans to broaden the tax base are also being discussed. An *Irish Times* report indicated that the government may reduce the threshold for paying income tax, and cut back on tax relief for low earners and the poor. Agriculture Minister Simon Coveney has stated that state payments that benefit up to 60,000 farmers will be reduced.

Meanwhile, the political establishment is demanding tax cuts for big business. In a pre-budget report, the Irish Tax Institute complained bitterly that capital gains and capital acquisitions taxes had risen by 65 percent from 20 to 33 percent in five years. Such rates of tax were "punitive," according to the organisation's chief executive, Mark Redmond, leading to a lack of investment in companies by "high net worth individuals."

The debate over the extent of the cuts in the budget shows the mounting fear in the ruling elite in the face of the opposition that is building within the working class to their austerity policies. Since the Haddington Road pay agreement for public sector workers was announced in the summer, there have been a series of strikes by both public and private sector workers, in spite of the best efforts of the trade unions to block them.

The government has responded to the latest strike threats by teachers with increased aggressiveness. Following the passage of emergency legislation permitting the government to unilaterally change the pay and working conditions of public sector workers, which the unions fully accepted, ministers have warned that no negotiations on the teachers' demands will be tolerated. The Association of Secondary Teachers Ireland has refused to accept the terms in the Haddington Road deal and announced protest actions and potential strikes.

Minister of Education Ruairí Quinn asserted that the stance of the teachers would undermine their job security and that they would receive no redundancy pay in the event of the loss of their posts. Such remarks suggest that the government will consider laying off teachers if an agreement to impose the savings fails to materialise. As Quinn declared in parliament, "Savings must be made in every area of public spending and a proportionate element of those savings must come from the public service pay and pensions bill."