Irish government unveils new austerity budget

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On Tuesday, the Fine Gael-Labour Party coalition in Dublin revealed its 2014 budget, beginning a sixth year of austerity since the outbreak of the economic crisis in the autumn of 2008.

In total, the spending package included €2.5 billion of austerity measures, made up of €1.6 billion of spending cuts and €900 million tax hikes. The measures were jointly introduced by Finance Minister Michael Noonan and Minister for Public Expenditure Brendan Howlin, reflecting the unanimity between the coalition partners on imposing savage cuts to pay for the bailout of the banks.

Many of the cuts were aimed at some of the most vulnerable sections of society, who have already suffered more than €30 billion in austerity measures. The rate of jobless benefit for the under-25s was cut to €100 a week at a time when more than one in four are out of work. The full rate of jobseekers' allowance will now only be available for those over 26, who will receive €188.

Overall spending in the social welfare department, led by the Labour Party's Joan Burton, was officially reduced by €230 million. This will be achieved by cuts to various benefits and welfare programmes, including support for the elderly to pay phone bills and television licences. The department vowed to impose more rigorous tests on welfare benefits, with the achievement of additional savings considered possible by tackling so-called welfare fraud. This is a euphemism for restricting access to social support for broad sections of working people struggling to make ends meet.

In health, prescription charges will go up by 60 percent, from €1.50 to €2.50 per item. The majority of pensioners will see their medical cards removed, which entitled them to free treatment, and replaced with a card that only grants them free appointments with a GP. Health spending is being significantly cut through the imposition of wage freezes under the Haddington Road Agreement with the unions, which aims to make €400 million in payroll savings over the next two years.

Health Minister James Reilly revealed the creation of a "swat team" composed of the Department of the Prime Minister, Department of Public Expenditure and the Health Department, which would "validate" spending on health. Reilly insisted that health spending would not be allowed to exceed the cap placed on it by the budget. This additional pressure for savings comes at a time when close to 50,000 people are on waiting lists for treatment.

Large cuts also came in the education and environmental budgets. Spending on housing was curtailed with the abolition of support payments for new mortgage applicants. This will contribute to the already-disastrous situation confronting many thousands of people suffering under mortgage debt, with estimates suggesting that 25 percent of all mortgages are in arrears.

Ruling circles are aware the austerity drive cannot be implemented through democratic means and that a social explosion is approaching. As the budget was unveiled, the police presence was dramatically bolstered in Dublin to deal with protests called by various campaign groups.

Government officials have claimed that the cuts contained in the budget could have been much worse and that it represented the last stage of austerity as Ireland exits the bailout programme led by the troika of the European Union (EU), European Central Bank (ECB) and International Monetary Fund (IMF).

Labour's Howlin opened his budget address by asserting that the coalition was aiming to "restore Ireland's economic sovereignty." After almost three years of close collaboration with the troika on every aspect of government policy, he sought to place the full blame for this on the previous Fianna Fail-Green Party government. But as his remarks revealed, the current administration has imposed the bulk of austerity measures. While the budget deficit was more than 30 percent of GDP in 2010, the target for 2014 was 4.8 percent, Howlin said. In other words, cuts totalling more than a quarter of the economy had been made in just three years. As Howlin commented, “This strategy seeks to reassure international investors that we are committed to reducing our deficit to below 3 percent of GDP by 2015, as we work to exit the troika programme.”

Prior to the budget, Prime Minister Enda Kenny declared that the worst was over. Speaking to the Fine Gael congress in Limerick, he confirmed that the bailout programme would end on December 15 before stating, “There’s still a long way to go. But at last, the era of the bailout will be no more. The economic emergency will be over.”

Such assertions are lies and show a complete disregard for the hundreds of thousands for whom the economic emergency continues to deepen. Unemployment remains at close to 14 percent, and it would approach the levels of Greece and Spain were it not for the fact that nearly 10 percent of the entire Irish population have emigrated since the outbreak of the crisis.

“Yes, our competitiveness has improved,” Kenny declared, which only illustrates the massive attacks that have been imposed on pay and working conditions since 2008. Labour costs are estimated to have dropped by 14 percent in the public sector, and in other areas such as construction by much more. The latest wave of public sector pay reforms contained in the Haddington Road deal aims to cut €1 billion from the pay bill by 2016.

Far from a letup in such attacks being in the cards, the government has made clear its intention to continue with budgetary consolidation measures long after the end of this year. In June, Noonan revealed that he was drafting a plan in cooperation with Howlin, Kenny and Labour Party leader Eamon Gilmore that would detail budget cuts to be made between now and 2020. The IMF is to continue supervising government policy until 2021, as confirmed by the organisation’s head, Christine Lagarde, during a trip to Dublin earlier this year.

Beyond this time frame, the government has committed Ireland to the repaying of loans it received from the EU to pay for the bailout of the failed Anglo Irish Bank over the next four decades. In the agreement finalised in February, the repayments were spread out over a 35-year period including interest payments, meaning that the next generation of workers will still be responsible for the gambling debts of the financial elite.

Even as Noonan and Howlin were putting the final touches to the budget proposal, the government was forced to admit that previously released figures on its budget deficit had been too optimistic. Instead of a deficit of 7.6 percent of GDP, the real figure was 8.2 percent. The government has agreed with the EU that the deficit will be less than 3 percent by 2015, and achieving this will necessitate an additional package of measures saving between €2 and €3 billion in next year’s budget. Gilmore declared that as Labour leader, he was “happy to stand over” the measures in the budget.