Netherlands government unites with opposition on austerity budget

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Earlier this month, the Dutch government reached a deal with three smaller opposition parties to enable passage of the 2014 budget. The deal contains a further €6 billion in spending cuts, as well as attacks on workers and the unemployed.

The budget must be adopted by both chambers of the Dutch parliament. The government of the right-wing liberal VVD and the social democratic PVD under Prime Minister Marc Rutte has a majority in the second chamber, which is elected by the population. But in the smaller upper chamber or senate, whose members are elected by regional parliaments, they do not. The government is therefore dependent on external support.

This time they have received this from the liberal D66 and two small Christian parties, the Christian Union and the SGP. The five parties have a wafer-thin majority of one.

The negotiations lasted several weeks and threatened to develop into a governmental crisis. PVD finance minister Jeroen Dijsselbloem, who is at the same time chair of the Euro group, cancelled his participation in the International Monetary Fund's annual meeting because of his involvement in the talks.

The government made clear from the outset that the amount of cuts was not negotiable. The agreement that has now been reached contains only a few alterations to the original budget plan. Thus, additional spending in education and for the support of disabled people is to be financed through increases in charges for water and waste collection.

Along with further social cuts, the agreement between the government and the three opposition parties contains a relaxation on rules for laying off workers and changes to unemployment benefits. Unemployed workers will have to take any job after six months, even if it is far below their level of qualification and previous salary.

The background to the austerity budget is a deepening financial crisis. The predictions for the budget deficit are 3.2 percent of GDP this year and 3.3 percent for 2014. State debt is also increasing, with an IMF estimate putting it at €434 billion this year. The Central Planning Office, an advisory body to the Dutch governments on questions of the economy and finance, is predicting indebtedness to be 76 percent of GDP in 2014.

The European Union is therefore demanding a continuation of the cuts. EU commissioner for economic and monetary affairs Olli Rehn visited the government in The Hague in June and demanded that next year's budget include €6 billion in spending cuts.

For this year, the CPO has estimated that economic output will contract by 1.25 percent. An increasing number of firms are declaring bankruptcy. Unemployment has risen to levels not seen in 30 years. Almost 700,000 jobless workers, equating to 8.6 percent, are desperately searching for work.

The economy supposedly is to grow by 0.5 percent next year, but this prediction is very optimistic, because available private income for households has sharply decreased this year. This is not least a consequence of the austerity measures and rising unemployment, and it will in turn have a major impact on consumption.

The indebtedness of private households stands at 250 percent of their available income. By comparison, in Spain it is just 125 percent. In addition, Dutch banks have an estimated total of €650 billion of mortgages on their books. The bursting of the property bubble would devastate the entire economy and banking system.

The Rutte government adopted an austerity programme totalling €16 billion shortly after being elected last year. The cabinet added a further €4.3

billion to this in March. The cuts affect social spending in the broadest sense, while businesses have been offered relief and the two top tax rates have been reduced.

The care system has effectively been privatised, while the health service has been significantly reduced. Wages in the public sector were frozen, and the length of time claimants can obtain unemployment benefits is soon to be cut from 38 months to 24. Many social services have been transferred to municipal and city councils, which are unable to maintain them due to their financial problems.

As a result, the long-term unemployed must undertake forced work in the municipalities in order to retain their right to financial support. For employees, protection against redundancy has been weakened. The retirement age has increased to 67. With the promise to stop paying additional support to older unemployed workers, this will in practice mean a cut in pensions, since without work the unemployed are forced to take their pensions sooner.

The Rutte government has set itself the task of removing what remains of social welfare. This was revealed in the government statement, which the head of state traditionally gives on the so-called Prinsyedag (Prince's day), but which is written by the government.

King Wilhelm Alexander rode to his first throne speech in a golden coach on September 17, followed by the Social Democrat Dijsselbloem, carrying the corresponding draft budget in his suitcase. He declared that the social state was obsolete.

"The classic welfare state created regulations here in the second half of the 20th century which cannot be maintained in their current form," the king stated. The state must be transformed into a society of participation, he added. "It will be expected that everyone who is in a position to do so will take responsibility for their life and their surroundings. The Netherlands must be a country with a small state which can act strongly."

Since the legendary Wassenaar agreement in 1982, which marked the birth of the Dutch Polder model, all of the political parties have eliminated social services step-by-step, and have been supported in this by the trade unions. Even now, Ton Heerts, the chairman of the Dutch trade union confederation FNV, stated that he has no intention of taking steps to organise workers against the austerity plans. Instead, the FNV is trying to channel the opposition of the workers into a toothless demonstration on November 30. By then, the budget will already have been passed.

The current developments in the Netherlands are preparing massive social conflicts. The Rutte government is aware of this. Despite all of the cuts, it awarded the police an additional €100 million to recruit more personnel and buy arms.

The financial crisis will continue to deepen. The next attacks have already been prepared. The *Financial Times* cited an analyst with the Dutch finance group ING, Dimitri Fleming, who expects new austerity measures in 2015, regardless if the Netherlands can reach the EU's budget deficit limit of 3 percent of GDP. Finance minister Dijsselbloem announced immediately after the current deal that he would draft the austerity plan for 2015 with the same three opposition parties that were supporting the government now.

Under these conditions, working people have turned away from the traditional bourgeois parties and the trade unions. The far right has been able to capitalise on this. In opinion polls, Geert Wilders and his PVV are the strongest party, with 22 percent support, followed by the PVD and the ex-Maoist Socialist Party, which is close to Wilders on its policy towards immigrants.