

# After six years of austerity, Ireland's coalition government has little room to manoeuvre.

 [blogs.lse.ac.uk/europpblog/2013/05/08/ireland-coalition-austerity/](http://blogs.lse.ac.uk/europpblog/2013/05/08/ireland-coalition-austerity/)

08/05/2013

*One of the first countries to be seriously affected by the Eurozone crisis, after six years, Ireland may now be at risk of 'austerity fatigue'. **Theresa Reidy** writes that facing increasing opposition to austerity, Ireland's coalition government now clings together in faint hope that an economic miracle is around the corner.*



The financial crisis brought political upheaval to countries across the Eurozone. Protests and riots greeted the Troika austerity programmes in Greece, Spain and Portugal. Ireland remained relatively calm in the face of its economic crisis and political unrest was timid until the 2011 general election delivered what many called a ballot box revolution. The new coalition government promised a brave new world of political reform and economic renewal. The economic apocalypse which precipitated the 2011 election rumbled on and, despite their huge parliamentary majority, the government was seriously constrained by the memorandum of understanding with the Troika of the EU, European Central Bank, and the IMF. Its support levels have dwindled as it proceeds with expenditure cuts, tax rises, and presides over unending tumult in the banking sector. Austerity fatigue has set in. One of the first to be affected by the financial crisis, Ireland is in the sixth year of austerity.

The government scored some early successes and elements of the memorandum of understanding with the Troika have been renegotiated. The interest rate on the bailout loans was reduced, loan maturities have been extended and the terms of the payment for the bankrupt Anglo Irish Bank were significantly improved. The government made much of its progress in renegotiating the bailout programme and returned triumphant from several European summits. Voters are already looking for tangible benefits from these diplomatic successes but there is little room for manoeuvre in the austerity approach as the country still has an enormous budget deficit and faces at least two more years of budget cuts. Consequently, government support levels continue to flounder as the benefits of its negotiations are slow to materialise.

An immediate challenge lies in the negotiations on public sector pay. Corporatist wage agreements have been a feature of the industrial landscape since the 1980s but current structures are close to collapse. The government has committed to a third round of pay cuts in the public sector. It had hoped to secure these by consensus but it was always unlikely that trade unions were going to vote in favour of cutting their own pay. The first two pay cuts were imposed without agreement by the previous government. The pay savings are required as part of the budget for 2013 and have been agreed with the Troika. Public sector unions point to the growing stimulus narrative in Europe and the improvements in the borrowing position of the government. If the government cannot get agreement on how the pay savings will be achieved, it is likely that it will be forced, like the last administration, to implement them unilaterally. This prospect is especially unpalatable for the Labour Party with its long relationship to the trade unions.

The change in the crisis narrative internationally is complicating budget issues. The champions of austerity politics are under pressure and demands for stimulus grow louder from within the Eurozone and lately, include the IMF as well. Austerity may have failed but Ireland's budget deficit means that even if an EU wide stimulus were to be agreed, budget adjustments would have to continue in Ireland for it to have any reasonable chance of meeting the 3% deficit target. Persuading Irish voters that more austerity is required is near impossible especially when demands for these policies to end, grow across Europe.

The demands for an end to austerity resound within Irish politics as well and Sinn Féin are particularly effective in critiquing the terms and implementation of the Irish bailout. They capitalised on the post-election weakness of Fianna Fáil, the centre-right party who presided over the Irish banking collapse, and have seen their popularity rise

to historic levels although they have plateaued in recent polls, as Fianna Fáil has returned from the political undead.



Protest against austerity in Dublin, 2011. Credit: lusciousblobster (Creative Commons BY NC SA)

It took Fianna Fáil some time to recover from their massive defeat but they are slowly emerging as the main opposition party. While constrained by their original role in negotiating the bailout loans with the Troika, the party is beginning to take a more political approach to opposition, selectively challenging some government policy, notably the property tax. This is paying off and its support levels are recovering, although they remain distant from their days as the dominant party. A majority of Irish voters have a centre-right voting preference and the resurgence of Fianna Fáil is not entirely surprising. Voters disaffected by the current government gravitate back to Fianna Fáil in the absence of another right wing political party.

Both government parties have seen their support levels decline with the Labour Party more seriously affected. As a left wing party imposing austerity, it was always going to be difficult but the smaller party in coalition governments has often fared badly acting as a kind of

mud-guard for its larger political partner. The Green Party, a much smaller party, lost all their seats in parliament in 2011 after their short stint in government with Fianna Fáil. If further public sector pay cuts are imposed, industrial action is likely and will do little for the public perception of either of the governing parties. This leaves the two parties locked in an invidious alliance where they are forced to hold out together in the faint hope that an economic miracle will come over the horizon in time for the next general election in 2016.

Public sector unrest, more expenditure cuts, poor prospects for the local and European elections next year and a current public debate about abortion, more resonant of the moral wars of the 1980s, make the coalition's path more difficult but in an odd kind of way makes their survival more likely. While large scale public protest and riots remain unlikely, there is no enthusiasm in the governing parties for an early meeting with the electorate where the second round of the ballot box revolution may await them.

*This article is a contribution to [State of the Left](#) – Policy Network's monthly insight bulletin that reports from across the world of social democratic politics*

*[Please read our comments policy before commenting.](#)*

*Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.*

*Shortened URL for this post: <http://bit.ly/16YdkKq>*

---

**About the Author**

**Theresa Reidy** – *University College Cork*

Dr Theresa Reidy is a lecturer in the Department of Government at University College Cork, where she teaches Irish politics, political economy and public finance. Her research interests lie in the areas of public finance and electoral behaviour in Ireland.



-