



Extract of International Viewpoint - online socialist magazine

<http://internationalviewpoint.org/spip.php?article2851>

Denmark

The 2013 budget: austerity without significant changes

- IV Online magazine - 2012 - IV455 - December 2012 -

Publication date: Monday 31 December 2012

Description:

To complete our coverage of the debate concerning the Red-Green Alliance's decision to vote for the national budget in Denmark we reproduce here the declaration of the Executive Committee of SAP of November 13, 2012.

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To complete our coverage of the debate concerning the Red-Green Alliance's decision to vote for the national budget in Denmark we reproduce here the declaration of the Executive Committee of SAP of November 13, 2012. [1] See also the article by Michael Voss "[A major mistake by the Red-Green Alliance](#)" and the statement by the SAP national conference "[Budget 2013: A major mistake by the Red-Green Alliance](#)".

Concerning the vote on the 2013 budget, the Red Green Alliance - Enhedslisten has signed an agreement with the government. We have chosen this commentary to present a critical review of this agreement. We conclude that the Finance Law does not meet the prerequisites for voting for it, as adopted by Enhedslisten at its 2010 Congress. An assessment of the political effects of this agreement and the tasks arising from it will be made next week - our national conference next weekend will decide on it. In the immediate future we call for people to transform anger and disappointment into an increased effort in the ongoing struggle against the degradation of unemployment benefits.

First of all, this is a budget without solutions for the unemployed, for whom the period when they receive benefits is reduced to two years as from January 1, 2013, and there is no solution proposed for those who will no longer receive benefits. Enhedslisten has only obtained that the present level of cash benefits will be provisionally maintained. This means that those whose unemployment benefits will stop during the first six months of the year 2013 will receive an allowance "of education of dependants" which will be 60 per cent or 80 per cent of the maximum allowance, respectively for people without children and for those who are raising children. This allowance will be paid for 26 weeks regardless of the moment when unemployment benefit ceased during the period mentioned and without taking into account the income of a partner. But to qualify for this benefit the unemployed will have to be prepared to agree to receive training for at least 3 of the 26 weeks.

Furthermore, the budget provides for financing a wide range of initiatives in the field of employment, vocational training and the environment:

- ▶ A "youth plan", which should enable young people and new graduates to learn a skill and to facilitate job rotation;
- ▶ a provision for the training of unskilled workers;
- ▶ a point concerning flexible jobs, with more funding for learning skills and for job rotation;
- ▶ social initiatives such as help with payment for dental care for the beneficiaries of social benefits, subsidies for companies who practice social responsibility and aid for single parents;
- ▶ Elimination of taxes on products containing fat and sugar, which will be financed by an increase in the tax base and by the lowering of the personal allowance for income tax (a tax increase of 0.2 per cent). Thus the income tax ceiling will be increased by 0.2 per cent, which according to the calculations of the government will lead to greater equality of income, according to the Gini index.
- ▶ A "green plan", which includes one billion kroner (134 million euros) for the plan of house-building using green technology and guaranteeing savings on energy, negotiated by Enhedslisten last year, as well as the electrification of the Køge-Næstved railway line;

- ▶ Initiatives concerning refugees, such as the reduction of the waiting time to be accorded refugee status, efforts for the victims of trafficking in human beings and the granting of family allowances to refugees.

We should furthermore add a number of choices of budget funding, which were decided by the government alone or negotiated with the right-wing parties.

Did the principles of Enhedslisten make it possible to support such a budget?

The national congress of 2010 adopted the following formulation: "We will in no circumstances vote for a Finance Law that:

- ▶ contains a deterioration of the previous situation;
- ▶ does not provide significant improvements;
- ▶ is the recapitulation of a year of austerity conducted along with right-wing parties."

First of all we have the issue of deterioration. Enhedslisten defined it as "further deterioration". This means that all deterioration resulting from previous agreements in Parliament "does not count", so to speak. In the case of the decisions of the former Parliament, dominated by the Liberal-Conservative coalition, concerning budget cuts for the following years, such an interpretation is questionable. But concerning the budget for 2012 and 2013, Enhedslisten has made the choice of considering that as "old" damage. This concerns "targeted management" (introduced by the previous government), which imposes a reduction of 2.5 per cent of expenditure on wages and on other operating expenses of the central administration in 2013, as well as the 2010 "stimulus plan", which imposes a reduction in government spending of 0.5 per cent in 2013. In total this means budget cuts of 3 per cent, which are considered as "old" deterioration. Thus, government spending is reduced by a billion kroner, but this is mainly the result of budget cuts decided previously.

On the other hand, the new "budget savings" (scattered across most sectors) represent a new deterioration in some areas. In this case the money does not disappear from the system, as is the case with "targeted management" and the "re-launching plan". These funds are subject to new priorities, often within the same ministry, and it is not easy to spot them. After having examined and identified these deteriorations in the Finance Law, the parliamentary group of Enhedslisten obtained the agreement of the government to withdraw from the Finance Bill "new" deterioration to the amount of 530 million kroner. It also managed to get removed from the bill more than two-thirds of "old" deterioration identified in education and research. We can therefore conclude that, as far as possible, "new" deterioration has been removed from the draft budget.

On the other hand, the transfer of the taxes on fatty and sugary products to income tax, as well as the reduction of benefits, represent clearly a deterioration. The calculations show that there are families of workers and of recipients of benefits with no children (those who retired early under the new system and who own their own homes) whose purchasing power will thus be reduced. This tax change can therefore be considered as a deterioration of the situation of certain social groups (based on the average purchasing power of each group) and furthermore a deterioration for those who do not eat fat and sugar.

Compared to the tax agreement signed in the spring with the Right, where the maximum threshold for taxes and tax

deductions for workers was lowered, it seems provocative that Enhedslisten should vote in favour of an increase in taxes that affects everyone, including the poorest.

It is questionable whether the limitation of the subsidies accorded to private clinics for hearing aids is a deterioration. It seems suspect that these funds are not being transferred to the public system, where the length of time on the waiting list has already reached 110 weeks.

Does the Finance Law contain significant improvements? In the 2013 budget there are a number of new initiatives, including legislative changes. However most of the improvements are relatively weak, given the framework set at approximately 2 billion kroner in 2013.

The improvement in funding for vocational training and social services is the most significant. "Training with monetary compensation" will probably rise to 480 million kroner (64 million euros).

The green plan for 2013-2015 is just a simple transfer of one billion crowns from the programme of construction and improvement of housing in line with the standards of low energy consumption already signed with Enhedslisten in the negotiations over the 2012 budget. From 2016 it provides for spending 700 million kroner, spread over several years. In this context the green plan does not constitute a significant improvement.

In the social field there is an improvement of several hundred millions in 2013; in particular the improvement in allowances for dental care for the unemployed stands out.

Overall, we can see that there are a number of good points, but these are small changes that are not decisive in an austerity budget. Nor do we find any significant trace of a social policy, based on solidarity and sustainable development.

Is the Finance Law the product of a year of austerity?

In the spring we examined how the budget could put a stop to the 3 billion kroner of cuts in social spending, negotiated by the government with the Liberals and Conservatives, as well as the reduction of spending by nearly 1.5 billion kroner because of the reform of early retirement costs and of labour flexibility (it is true that this reduction will only be significant in 2016).

The new positive spending (employment, social spending) is far from equalling these cuts:

- ▶ Approximately 160 million kroner to recruit municipal consultants to help businesses that choose to implement labour flexibility;
- ▶ 180 million kroner for dental care for recipients of pensions and allowances (currently you cannot get early retirement before the age of 40);
- ▶ There will be a law on companies who practice social responsibility, making it possible for municipalities to create jobs for people who are currently outside the labour market.

The 2013 budget: austerity without significant changes

All these good budget initiatives for 2013 are clouded by the fact that this budget is totally neo-liberal in its conception. It is not only the sum of the major neo-liberal reforms, in particular the tax reform and the reform of early retirement and flexible working, which amount to a billion kroner in budget cuts. It is also the fruit of the agreement on economic policy which is imposing a brutal austerity that Denmark, with the exception of the year 2011, has not experienced since the systemic crisis of 1990.

This Finance Law is designed in conformity with the artificial recommendation of the European Union, commissioned by Lars Løkke Rasmussen (neo-liberal Prime Minister) in 2010, according to which Denmark must reduce its structural deficit in public finances by 1.5 per cent of GDP per year between 2011 and 2013. To achieve this goal, the government is applying the brake to budget policy. The effect of budget policy is a reduction of growth of 0.6 per cent of GDP. This is the result of a growth of public expenditure by only 0.1 per cent in real terms and a reduction in public investment by more than 11 per cent in real terms. The Finance Law will therefore result in a reduction in employment due to budget cuts.

The 2012 budget was a significant break with the policy of the previous Conservative government (stimulus, eradication of poverty, 5 billion kroner to improve social assistance, breaking with the policy against refugees and asylum-seekers, etc.). In comparison, the 2013 Finance Law is a step back. It is significant that the general framework within which Enhedslisten negotiated with the government concerned only 2 billion kroner for 2013 and that this sum must be reduced until 2016. In addition, in this context, 0.5 billion kroner come from the "own funds" of Enhedslisten, i.e. spending already planned last year in the framework of the house-building plan, converted into the new green plan.

In other words, it is a question of shifting crumbs onto the 2013 budget, and the main demand of Enhedslisten - to make a break with the policies of the Right - has not been attained.

Overall, the three conditions formulated by the 2010 congress to be able to support the Finance Law have not been fulfilled. This is a budget that continues anti-popular austerity policies in the strict sense of the term and contains no significant improvements. By supporting it Enhedslisten has put in question the idea that the Left can/wants to do something other than managing the crisis of capitalism. The party has thus tainted his own credibility.

[1] The SAP (Socialistisk Arbejderparti, Socialist Workers' Party) is the Danish section of the Fourth International. The SAP was one of the founding components of the Red Green Alliance - Enhedslisten (literally "Unity List") in 1989, which after having been an electoral coalition has become a political party. It has taken part in the meetings of the European Anticapitalist Left, while being affiliated to the Party of the European Left. Enhedslisten won 6.7 per cent of the votes cast in the elections of September 2011 and had 12 MPs elected, two of whom are members of SAP. For a history of Enhedslisten see Michael Voss, "[The Red-Green Alliance in Denmark](#)" in the Debate section of IVP.