Dutch leader quits in debt crisis

Prime Minister Mark Rutte fails to work out an austerity plan, the kind his country has told others to adopt.

BY HENRY CHU

LONDON — The Dutch government has become the latest to fall because of Europe’s stubborn debt crisis, which appears to be flaring up again after a lull.

Prime Minister Mark Rutte and his Cabinet resigned Monday after they failed to clinch a deal with political parties over austerity cuts to reduce the Netherlands’ budget deficit. It was an embarrassing development for the Dutch, who have repeatedly lectured Southern European nations on the need to rein in public spending.

It helped fuel a day of heavy losses in stock markets across Europe, with investors unsettled by weak manufacturing data in Germany, confirmation of a return to recession in Spain and an uncertain presidential election result in France.

The euro debt crisis seems on the verge of erupting again after a few months of relative calm. The soothing effect of cheap long-term loans from the European Central Bank to the region’s financial institutions is wearing off, and analysts are asking whether the harsh public austerity prescribed by Germany is worsening the crisis instead of solving it.

So far, the Dutch have enthusiastically sided with Berlin in the demand that financially troubled nations curb their spending. But the Dutch government found itself in the hot seat when official figures showed that its deficit this year was on track to hit 4.6% of gross domestic product, well above the 3% limit for Eurozone countries.

Negotiations over what to cut and by how much have consumed Dutch political leaders for weeks. The talks finally fell apart over the weekend, prompting Rutte’s resignation Monday.

Chief among the anti-austerity voices is Geert Wilders, the head of a populist party best known for its aggressive anti-Muslim stance. An outspoken “Euroskeptic,” Wilders accused the government of kowtowing to the “dictators in Brussels” in drafting an austerity plan that he said would disproportionately hurt the elderly.

Rutte and his allies had contended that drastic cuts were necessary to maintain credibility with the markets, especially for the Nether-lands to hold on to its coveted triple-A credit rating. Only a few of the 17 nations that use the euro currency still get top billing by ratings agencies; France lost its triple-A status this year.

Rutte will remain head of a caretaker administration until elections are held, possibly in June. In the interim, the parties can continue to try to work out a budget deal.

“We’ll show the financial markets, in consultation with parliament, that the Netherlands’ decades-long budgetary discipline will remain,” Finance Minister Jan Kees de Jager told reporters.

His is the latest of more than half a dozen European governments to collapse or be ejected by voters as a result of the debt crisis. Widespread austerity has ignited anger and social unrest across the continent.

The instability in the Netherlands and Sunday’s first round of voting in the French presidential election have raised fresh doubts over whether Europe can remain united in its pro-austerity approach to the crisis.

In France, polls show a strong lead for Socialist challenger Francois Hollande over incumbent Nicolas Sarkozy for the runoff election May 6. Hollande has pledged to revisit Sarkozy’s commitment to severe spending cuts, calling for more emphasis on promoting economic growth.

Many analysts agree that the Europe-wide austerity recipe pushed by Germany has brought down spending in nations such as Greece, Portugal and Spain, but also choked off growth. And as those countries’ economies contract, their government debt levels rise, which leads to yet more austerity and ultimately results in a dangerous negative spiral, critics say.

Figures released Monday confirmed that Spain had officially fallen back into recession. The new government in Madrid has enacted major austerity cuts, but was forced to acknowledge this year that it would still not be able to bring down its deficit enough to meet its EU-agreed target.

Borrowing costs for the Spanish government have been rising for weeks, edging closer to unsustainable levels and adding to fears that the Eurozone’s fourth-largest economy will be forced to seek a bailout its neighbors might not be able to afford. henry.chu@latimes.com
DUTCH PRIME MINISTER Mark Rutte, center, leaves the royal palace in The Hague after submitting his resignation to Queen Beatrix. Austerity measures prescribed by Germany have met increasing resistance across Europe.