SPAIN IS EXPERIENCING A PERIOD OF INTENSE SOCIAL CRISIS

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November 12th, 2012

Today we are witnessing a frontal attack (and there is no other word to describe what is happening) to the welfare states of the countries of the eurozone, which is especially accentuated in the periphery of this monetary union. In Greece, Portugal, Spain, and Ireland, we are seeing wage reductions, increases in unemployment, dilution and weakening of social protection, reduction of public social expenditures, privatization of public transfers (such as pensions) and public services of the welfare state (such as medical care, education, and social services), reduction of labor, social and even civil rights, and weakening of collective bargaining and trade unions. All these public interventions represent active aggression against the welfare and well-being of their populations, in particular of their popular classes (working and middle classes). They are hurting a lot. In Spain, the suicide rate has increased threefold as a consequence of the unbearable stress among people who have lost their homes. Every day, almost 500 families are forced to leave their homes because they cannot pay the rent.

All these policies respond to the understanding held by the European financial, political, and media establishments that the welfare state in Europe is no longer sustainable. As Mario Draghi, President of the European Central Bank, put it quite clearly in an interview with the Wall Street Journal: "The social European model is not sustainable any longer." Mariano Rajoy, head of the conservative Spanish government, has said the same, just using different words: "We are spending in our welfare state far above what we can afford." Spain, incidentally, is one of the countries in the EU-15 that spends the least on its welfare state, at only 22 per cent of its Gross National Product, compared with the 27 per cent average of the EU-15. Only one out of every 10 adults works in the public services of the welfare state (such as medical care, education, and social services) compared with one out of every six on average in the EU-15 and one out of every four in Sweden, the country in the EU-15 that has the most developed welfare state. Regardless of the indicators one uses, the fact is that the Spanish welfare state is underfunded and undermanned. And, with the cuts of public social expenditure, the situation is getting worse. The average time for patient visits to their general practitioners, in the National Health Services, has been reduced by 30 per cent since the crisis started in 2007.

The 20 per cent of the population with the highest rent, however, has not been affected by the deterioration of these public services, since they use private services, both in medical care and in education. They go to see private physicians when they are sick and send their children to private schools. Social class is indeed an important variable in understanding Spain. The Spanish state (as well as the Greek, Portuguese, and Irish states) is poor, with scarce social conscience and with limited redistributive effects, the result of very regressive fiscal policies. And the cuts are weakening the situation even more.

The causes of the crisis

There are three causes of this situation in Spain. One is its history. The Franco dictatorship was highly repressive and regressive. The Spain of today is still the country of the EU-15 with the highest number of policemen per 10,000 inhabitants and the lowest number of adults working in the welfare state.

The second reason is the way in which Spain entered into the eurozone. The required reduction of the public deficit of the Spanish state (stipulated by the Stability Pact) – from 6 per cent of Gross National Product to 3 per cent – was achieved primarily by cutting public expenditures (in particular, social public expenditure) rather than by increasing taxes. Because of the way the Stability Pact's conditions were achieved, the reductions of the public deficit, which enabled Spain to become a full member of the eurozone, were done at the cost of its welfare state. The revenues to the state that, during the period 1978-1993, had gone to reduce Spain's enormous social deficit have, since 1993 (when major decisions were made to reduce the public deficit), gone to reduce the public deficit of the Spanish state. In this way, the deficit on social expenditures has increased dramatically, reversing many of the reductions that had been occurring before entering the eurozone. The popular classes were the ones who paid, through the weakening of their welfare state, the entrance costs into the eurozone.

The third reason has been the way the Spanish state has responded to the crisis since 2007. During the housing bubble (created by the alliance of the banking and real estate sector, the most speculative sector of the Spanish economy), state revenues increased because of rapid economic growth. The response of the government to this growth was to reduce taxes (in particular, corporate taxes) in 2006. Those reductions created a hole in the state of more than 22 billion euros. When the crisis started in 2007, the economy stopped growing and that hole appeared in all its intensity, and instead of filling it in by increasing taxes, it was filled with savings achieved by cutting public social expenditures. Examples are abundant. The socialist Zapatero government reduced public pensions (in order to save 1.2 billion euros). But, he could have obtained more by retaining property taxes (which had been eliminated and would have achieved 2.5 billion euros). Later on, the conservative President Rajoy went even further, cutting 6 billion euros from the National Health Service. He could have obtained the same amount by eliminating the cuts on corporate taxes of large corporations, which made more than 150 million euros per year that he had approved previously. For every cut the government imposed to the welfare state, there was an alternative that was not even considered. The dramatic reductions of public social expenditure (that are clearly affecting the quality of life of the majority of the population) have been accompanied by a higher public assistance to banking (this aid represented 10 per cent of the Gross National Product).

All these governmental policies were not in the governing parties' electoral platforms. There was no popular mandate to carry them out. Quite the contrary, they are extremely unpopular. In the last few years, there have been four general strikes. Indeed, the popularity of not only the governing parties, but also the political system, is very low, calling into question the legitimacy of governments that are forcing policies on the population, policies that were never approved by those populations. The crisis of democracy in Spain is a consequence of the economic and social crisis.

A final point: The reduction of public expenditures and salaries has created an enormous problem of lack of demand. The population is deeply in debt (as a result of the reduction of salaries). This explains the decline of economic activities, further complicated by the austerity policies. Meanwhile, the most profitable sectors of the economy are the speculative ones, such as the previously mentioned real estate sector. Spanish and German banks have been the primary investors in these speculative sectors, facilitating the housing bubble. Today, German banks have loaned 200 billion euros to Spanish banks and to the state. And the “rescate” (meaning the aid to the Spanish banks by the European Union) is money that could enable Spanish banks to return the money owed to the German banks, with the Spanish people paying the bill. It is not surprising that Europe is very quickly losing, at the street level, the attraction that it used to have in Spain. Europe, which during the fascist dictatorships led by General Franco was perceived by the democratic forces as the dream to be reached once democracy had been established, has become a nightmare. The percentage of people who want to leave the euro is already 30 per cent and growing. It has been the end of that dream.