

"America's Best Political Newsletter." *Out of Bounds Magazine*

counterpunch

— Tells the Facts, Names the Names —

WHAT IS GOING ON IN SPAIN? THE END OF AN ERA AND THE BEGINNING OF PODEMOS

Vicente Navarro

January 9-11, 2015

Something is happening in Spain. A party that did not exist one year ago, Podemos, with a clear left-wing program, would win a sufficient number of votes to gain a majority in Spanish Parliament if an election were held today. Meanwhile, the leaders of the group G-20 attending their annual meeting in Australia were congratulating the president of the Spanish conservative-neoliberal government, Mr. Mariano Rajoy, for the policies that his government had imposed. (I use the term "imposed" because none of these policies were written in its electoral program.) These included: (1) *the largest cuts in public social expenditures* (dismantling the underfunded Spanish welfare state) ever seen since democracy was established in Spain in 1978 and (2) *the toughest labor reforms*, which have substantially deteriorated labor market conditions. Salaries have declined by 10%

since the Great Recession started in 2007, and unemployment has hit an all-time record of 26% (52% among the youth). The percentage of what the trade unions defined as "shit work" (temporary, precarious work) has increased, becoming the majority of new contracts in the labor market (more than 52% of all contracts), and 66% of unemployed people do not have any form of unemployment insurance or public assistance.

These measures have created an enormous problem of lack of domestic demand, a major cause of the long-term recession. It has been only recently that very limited growth has appeared, due primarily to the decline in the price of gasoline, a devaluation of the euro, and a tentative commitment by the European Central Bank (ECB) to buy public bonds. The Spanish government did not have anything to do with any of these events, although it claims now that the short recovery is a result of its neoliberal policies.

These neoliberal policies were promoted by the European Union (EU) establishments (European Council, European Commission, and ECB) and by the International Monetary Fund. They were carried out in Spain with the support and encouragement of financial capital, major business enterprises, and their political instrument, the Popular Party (PP), now in government. It seems that the right-wing in Spain was finally getting what it had always wanted: the reduction of

salaries and the weakening of social protection with a dismantling of the welfare state. Those policies are what the international elites of the G-20 who met in Australia were presenting as a model for all countries to follow, championing Spain as a model country.

The Historical Causes of These Events

I have written extensively about the reasons why Spain, Portugal, Greece, and Ireland are in deep trouble. I refer readers to one of these articles ("Capital-Labor: The Unspoken Causes of the Crises," www.vnavarro.org, Economic Section). Let me briefly summarize it. All these countries, referred to rather unkindly in the Anglo-Saxon economic literature as PIGS (Portugal, Ireland, Greece, and Spain), have had ultra-right-wing dictatorships (fascist or fascistoid), except Ireland, governed by a very conservative party close to the Church. These dictatorships were the result of military coups (in the case of Spain, supported by Hitler and Mussolini in 1936) against democratically elected governments that had initiated meaningful reforms affecting the privilege of the oligarchy, i.e., the agricultural, financial, and (in the case of Catalonia and Basque Country in Spain) industrial bourgeoisie, in addition to the Catholic Church and the Army. The Spanish fascist coup established one of the most brutal repressions that has ever taken place in Western Europe during the 20th century. For every political assassination that

Mussolini carried out, Franco's dictatorship had 10,000. Even today, there are more than 120,000 people who were assassinated during the dictatorship whose bodies have yet to be found. After Cambodia, Spain has the second-largest number of people who have disappeared for political reasons without any trace of their bodies being found. Franco's dictatorship was a class dictatorship against the working population. That dictatorship was responsible for the enormous economic and cultural underdevelopment in Spain. When the military coup took place in 1936, Spain's Gross National Product (GNP) per capita was similar to Italy's. In 1978, when the dictatorship ended and the democracy was established, Spain's GNP per capita was only 62% of Italy's. That was the economic cost of having a fascist dictatorship.

The Transition from Dictatorship to Democracy

When the dictator died in 1975, the dictatorship had lasted 40 years. The apparatus of the state, a coalition of fascist forces known as El Movimiento Nacional and the Opus Dei (a religious sect of the Catholic Church), as well as the Army and the Catholic Church, had wanted to continue the dictatorship under the leadership of Franco's deputy Admiral Carrero Blanco. But this admiral had been killed by ETA, creating a vacuum in the leadership of the dictatorship.

Meanwhile, the antifascist resistance had been growing considerably, with strong and wide social agitation, led primarily by the working class in the major cities of Barcelona, Bilbao, and Madrid and in specific areas of Spain such as the mining region in Asturias (the Appalachia of Spain). The working class clearly was asking for change. From 1975 to 1978, Spain had the largest number of labor strikes (despite these being forbidden) in Western Europe. This labor unrest shook up the Spanish establishment, which included large sectors of the Spanish bourgeoisie who did not consider the continuation of the dictatorship as a viable option. They wanted to be integrated in the EU, and even the Eurozone, and the dictatorship represented an obstacle to achieving that goal. King Juan Carlos, who had been appointed by Franco, was leading the demand for state changes that would guarantee the continuation of the Spanish financial and industrial establishments under a different political regime. He appointed Adolfo Suarez, who had been the general secretary of Movimiento Nacional, as president of the country, with the mandate to establish changes in the Spanish state. These changes were aimed primarily at integrating the Social Democratic Party (PSOE) into the state apparatus and marginalizing the Communist Party (PCE), which had been the main force in the antifascist struggle.

Before dissolving, the Movimiento Nacional had imposed a series of conditions. One was that the electoral law would be designed to make it impossible for the Communist Party to have a major parliamentary representation. The law was approved and later modified during the democratic period, although it continued to discriminate against the working class in urban centers (where most of the communist votes existed). As a consequence, whereas a conservative city like Salamanca needs 32,000 votes to elect a member of the Spanish Parliament, Barcelona (a city historically aligned to the left) needed 150,000 votes. The new electoral law did favor *bipartidismo*, i.e., the permanence of a two-party system—the conservative neoliberal (PP) and socialist party (PSOE) that control the whole state apparatus, under the hegemony of the PP.

The Dominance of the Conservative Forces in the State

In this way, the right-wing establishment had full control of all the branches of the state and all the media (press, radio, and television). The democratic forces (led by the Communist party), however, had just left the clandestinity and/or come back from exile. Thus, the transition took place under very difficult conditions for the left. There was no equilibrium between right-wing and left-wing forces. The product of that disequilibrium was the Spanish Constitution and the democratic institutions, clearly influenced by

conservative establishments. It solidified the structure of power that existed during the dictatorship. Banking continued to be the major player in the economic life of the country. And the major industries (established primarily in Barcelona, Bilbao, and Madrid) that were powerful during the dictatorship continued to be equally powerful, with new additions: the privatization of major public enterprises—from energy to communications—which were now controlled by the elites of the political parties, particularly by the Partido Popular (PP), which appointed friends of the president of the government and of the party to top positions in these newly privatized businesses. As in Russia, the major businesses that used to be controlled by the party apparatus were now controlled by the same individuals, as part of the new plutocracy.

The major inheritor of the Spanish dictatorship is the governing party, the PP, a coalition of post-fascist groups (such as the Alliance Popular, with ultra-right-wing ideology), liberal associations (“liberal” in Europe means very right-wing forces representing the major business community, with antagonisms toward labor), and conservative (such as Christian democratic institutions close to the Catholic Church). The PP also has a large post-fascist, chauvinist, and anti-migrant component, which explains why Spain does not have a major chauvinist movement, since this movement is already within the PP.

The Social and the National Question

One major consequence of the right-wing domination of the state has been the poverty of the welfare state and the very poor conditions of the labor markets. Unemployment has been a constant in Spain, and the public social expenditures per capita are among the lowest in the EU-15 (the group of richest countries in the EU). These situations have become even worse because of the crisis.

Another consequence was the continuation of a vision of Spain, inherited from the dictatorship and previous monarchic regimes, which denied its plurinationality. Instead, the Spanish Constitution recognized only one nation, the Spanish nation, denying the historical demand of the left-wing parties—the Socialist and the Communist—that saw Catalonia, Basque Country, and Galicia as other nations within Spain. Both parties had, during the clandestine time, called for the right to self-determination for the different nations of Spain. This demand was put aside, however, during the transition due to the opposition of the Monarch and the Army. Since 1978, when the new Constitution was established and democracy started, the socialist party (PSOE) has fully accepted the uninational vision of Spain.

Europe, from a Dream to a Nightmare: The Integration of Spain in the Euro

During the dictatorship, Europe had been a dream for the anti-fascist democratic forces, struggling against the fascist regime under very difficult conditions. Democracy and the welfare state were then identified with Europe, and they were considered to be the objective to be reached when democracy was established. Europe was what Spanish democratic forces had always wanted. Europe was the dream to be realized later on. It has become, however, a nightmare. Why?

The design of the euro was the starting point of the nightmare. It was formulated by financial interests to give financial capital a strong command of the governance of the euro. It is not by chance that the ECB is physically located in front of the Bundesbank, the German Central Bank, in Frankfurt. The Bundesbank is basically the spokesperson of German financial capital, the center of the European financial system.

The ECB, however, is not a central bank: It is a lobby for the banks, primarily the German ones. The ECB prints money but it does not help the states: It does not buy states' public debt, making them dependent on the financial markets (i.e., the private banks). The ECB lends money to the private banks at very low interest rates. And the

banks buy public debt at extremely high interest. It is a killing for the private banks! These are the causes of the enormous growth of the Spanish public debt (of which, German banks own 20% of all the public debt owed by foreign banks, which is 50% of all Spanish public debt). Consequently, the second item in the Spanish budget, after social security, is payment of public debt interests. Germany has 700,000 million euros it lent to the PIGS (200,000 to Spain). This was the reason the EU lent up to 100,000 million euros to Spain (*e/ Rescate Bancario*) with the understanding that Spain must pay back the debt to German banks. Meanwhile, public debt in Spain is increasing to an unpayable level.

But there was another reason the euro hurt the Spanish state. The Maastricht criteria had indicated that the public deficit of the state could not be higher than 3% of the GNP. Since it was 6%, it had to be cut. And it was cut, not by increasing taxes or correcting tax fraud (Spain's tax fraud is among the highest in the Eurozone, with 80,000 million euros evaded, 80% of which is done by the banks, large fortunes, and large enterprises whose sales are more than 150 million euros a year, representing 0.12% of all enterprises) but by reducing public expenditures (in particular, public social expenditures). Spanish entry into the Eurozone took place at the cost of weakening the Spanish welfare state, used primarily by the popular classes.

Why the Cuts?

The reduction of salaries and of the number of people receiving salaries, as well as the reduction of public expenditures, meant an enormous decline of domestic demand and, as a result, of economic growth. The waning of salaries meant increased indebtedness of families and of small and medium enterprises. Debt increased enormously. This meant that banking also increased enormously (Spain has one of the largest banking sectors in Europe, proportionally three times as large as in the United States). But the low profitability of the productive economy meant a large increase of banking investments in speculation, causing huge bubbles, the most important of which was the housing bubble.

When the bubble was occurring, there was a feeling of euphoria among the political establishment. None other than the governing socialist leader, José Luis R. Zapatero, felt that, in a time of such exuberant growth, taxes should be reduced. His slogan was "Reducing taxes should be an objective of the left!" He reduced taxes enormously, primarily on capital and high incomes. He announced his slogan in 2005. He passed the Tax Reform Act with the tax cuts in 2006. And in 2007, when the bubble exploded, a huge hole appeared in state revenues: 27,000 million euros. According to economists of

the statistical office of the Ministry of Finances, 70% of this hole was due to the tax cuts and only 30% to the decline of economic activity at the beginning of the Great Recession.

This is how the cuts started, under the false argument that the country needed to face austerity measures because it was spending too much. Actually, when the crisis started, the Spanish state was on surplus. In reality, Spain's public expenditure is far too low, much lower than its economic level of development would call for. The cuts demonstrate the class nature of those interventions. Socialist Zapatero froze public pensions to save 1,500 million euros, when he could have obtained much more money, 2,500 million, by recovering the property taxes that he had abolished, reversing the lowering of inheritance taxes (2,300 million), or reversing the reduced taxes of individuals making 120,000 euros a year (2,200 million). These cuts were expanded later by conservative-liberal Rajoy, who cut 6,000 million from the National Health Service, stressing, as Zapatero said before, that "there were not alternatives," the most frequently used sentence in the official narrative. There were alternatives, however. He could have reversed the lowering of taxes on capital to large corporations that he had approved, obtaining 5,500 million. The economists Vicenç Navarro, Juan Torres, and Alberto Garzón wrote a book *There are Alternatives (Hay Alternativas: Propuestas para Crear Empleo y Bienestar Social en España)*. The book showed, with clear

and convincing numbers, that there were alternatives. The book became a major bestseller in Spain and was widely used by the *indignados* movement.

The Indignados Movement

These cuts of public social spending and the three labor market reforms carried out first by the socialist (PSOE) government, and later by the liberal conservative-liberal (PP) government, angered people, since not one of these measures had any popular mandate. None of those policies had been mentioned in the electoral program of the governing parties. The supposedly democratic representative institutions have acted on behalf of financial and large-employer interests, who were achieving the policies they always wanted—the decline of salaries and the dismantling of social protections—and presenting these policies as the only possible ones, since “there were no alternatives.” This message was also promoted by the European Council, European Commission, and ECB (plus the IMF). This is how the *European dream became a nightmare*.

In response to this nightmare, the *indignados* movement appeared and quickly spread all over the country. Its slogans, such as “They, the political class, do not represent us” became widely popular. Consequently, state institutions started losing legitimacy

very quickly. The state responded with enormous repression. That did not stop the *indignados*, however. Many of their leaders were young—very affected by the crisis.

The *indignados* movement demanded a second transition, calling for an end to the 1978 regime (the political system established in 1978 when the dictatorship ended) and for the establishment of a new democratic order, explaining the need to substitute existing representative institutions with new ones, complemented by other forms of democratic participation such as referendums and/or popular assemblies. The goal was to establish an authentic democratic system with systems of direct forms of citizen participation such as referendums, plus indirect forms of participation such as representative democracy, requiring political parties that were much more democratic than they are today.

This movement had an enormous impact, and its starting movement (a major manifestation in Plaza del Sol) was a protest against the slogan “There are no alternatives.” In fact, the leadership of the *indignados* showed the book *Hay Alternativas* in front of the police who were trying to control the demonstration. The photograph of thousands of people showing the book was widely distributed within the movement and published in the press. Their major slogan was to question the claim that “there are no alternatives,” showing

that there were indeed alternatives, and to question the legitimacy of the state, which was imposing policies that did not have any popular mandate.

The New Political Party: Podemos

Such a movement wanted to go beyond simply a protest movement to be perceived as the conscience of the country. The *indignados* became aware that they had to intervene in the political arena, and this is how Podemos appeared. The leaders of Podemos were drawn from individuals who had played a leading role in the *indignados* movement. Some are junior faculty in the Department of Political and Social Sciences in the largest public university in Spain, Complutense. Many have been active in the youth movements of the Spanish Communist Party. Regardless of where they come from, they all felt that the root of the problem was the control of the state by a caste of politicians, based primarily in the major parties—the liberal-conservative party (PP) and the socialist (PSOE)—who were closely related and tied to the major financial and banking corporations that have corrupted state institutions. They called for the establishment of a democratic state and a democratic Europe, “*a Europe of the people, not the Europe of the bankers.*”

They presented themselves in the elections to the European Parliament and the great surprise is that they received a much larger vote than they had expected. But the most important event was that all the polls showed a fantastic growth of their electoral support, to a point that in the last poll, it became clear that they could become the governing party, a situation that they never felt would be possible, and so fast. Podemos's message, "*Vote against the caste: Throw all of them out,*" was highly successful. It was clear that the majority of people were fed up with the political and media establishments.

Their problem was the party did not have a structure. That created an urgent need to develop an organization, based on an assembly-like type of structure within a frame developed by the leadership. To prepare its program, they asked the economists Vicenç Navarro and Juan Torres (authors of the *Hay Alternativas* book) to prepare an outline of the economic program that the Podemos government should carry out. This outline would be the basis for a full discussion within the Party. The title *Democratizar la Economía para Salir de la Crisis Mejorando la Equidad, el Bienestar y la Calidad de Vida: Una Propuesta de Debate para Solucionar los Problemas de la Economía Española* (*The Need to Democratize the Economy in Order to End the Crisis and Improve Justice, Well-Being and Quality of Life: A Proposal to Initiate a Debate to Resolve the Problems of the Spanish Economy*) described the intention of the document. It was

very widely distributed by Podemos, under the new title *Un Proyecto Económico para la Gente* (*An Economic Project for the People*). It had an enormous impact.

The presentation of the proposal by Pablo Iglesias and the authors of the document became the major event of the day in Spain. The hostility of the mainstream and economic media, as well as the intellectuals and spokespersons of the major governing parties (PP and PSOE) became enormously aggressive against that document and its authors. And in Europe, the President of the Bundesbank, the German Central Bank, indicated that the proposals put forward in the document will be very harmful to the Spanish and the European economies. Never before had a document created such a hostile response from the financial, economic, political, and media establishments. However, it created considerable positive responses at the street level in Spain and contributed substantially to change the character of the economic debate, because it challenged frontally the neoliberal ideology.

The economic document was not a budget for the future Podemos government, but rather the strategic lines to be followed. The analysis of the causes of the crisis focused on the enormous growth of inequalities responsible for the financial, economic, and political crisis. It puts at the center of the analysis the conflict of

capital (under the hegemony of financial capital) against labor. That has led to an enormous decline of domestic demand caused by the decline of wages, increase in unemployment, and cuts of social public expenditures. The proposals, therefore, aimed at reversing that growth of inequalities by increasing domestic demand (via salaries and employment growth) and by expanding public expenditures and investments (in particular, the social infrastructure). It also underlined the need to expand public banking, as a way of providing credit to families and to small and middle-sized enterprises. It also proposed reducing the working week to 35 hours and reducing the age of retirement from 67 to 65, reversing policies approved by the PP and the PSOE. The impact of the program would strengthen labor at the cost of capital. Also, it showed the great need to correct gender inequalities as a way to increase employment. It also suggested how all the proposals could be funded, asking for substantial changes in the fiscal policies of the country and the reduction of tax fraud.

Why the Success of Podemos?

It is easy to answer this question. There is enormous anger toward what Podemos calls "*la casta*," the cast. That includes the governing elites in the political establishment who have developed close complicities with the major financial and non-financial

corporations that dominate the political and media institutions of the country. The call for “*throwing all of them out*” awakens general support among the majority of the Spanish people.

In addition, Podemos uses a language that people relate to, redefining class struggle as the conflict between those on the top and everyone else, a narrative that mobilizes a transversal support. A third reason for its wide appeal is that Podemos makes the calls for democracy center in its strategy, redefining democracy to include different forms of democracy such as referendums (defined as the right to decide, *el derecho a decidir*) together with indirect or representative forms of democracy. It is because of this commitment to democracy that it has accepted the right of self-determination for the different nations that exist in Spain, breaking with the vision of Spain as a unational state. This understanding of Spain as a plurinational state has been a historic demand of all left-wing parties (including the PSOE), abandoned during the Transition by the socialist party because of the King (appointed by Franco) and the Army. The enormous popular demand by the Catalan population for the right of self-determination (not to be confused with the call for independence: 82% of Catalans support the first, 33% support the second) has created enormous tension with the central government and today is very unpopular. Podemos has become the first party in Catalonia, by

popular support, according to the polls (if there were elections for the Spanish Parliament).

The success of Podemos has become a major threat to the Spanish (and to the European) establishment. Today, the Spanish financial, economic, political, and media establishments are on the defensive and in panic, having passed laws that strengthen the repression. The heads of the major banks in Spain are particularly uneasy. Mr. Botín, president of the major bank Santander, indicated four days before he died (a few weeks ago) that he was extremely worried, indicating that Podemos and Catalonia were very threatening to Spain. He, of course, meant his Spain. And he was right. The future is quite open. As Gramsci once indicated, it is the end of a period without a clear view of what the next one will be. Europe, Spain, and Catalonia are ending an era. This is clear. What still is unclear is what will come next. We will see.

Barcelona, 28th December 2014.

Vicente (Vicenç in Catalan) Navarro, is professor of Public and Social Policy in The John Hopkins University USA and the Pompeu Fabra University Catalonia, Spain. He is also the Director of the JHU-UPF Public Policy Center in Barcelona, Spain. He has written extensively about Europe and Spain and his book *Bienestar*

Insuficiente, Democracia Incompleta: Sobre Lo Que No Se Habla En
Nuestro País *received the Anagrama Award (equivalent to the Pulitzer
Prize in Spain).*