



## **IS SPAIN TRULY A DEMOCRACY? THE CASE OF PENSIONS**

**VICENTE NAVARRO**

Professor of Public Policy at the Johns Hopkins University

June 12th, 2013

At first glance this question seems incendiary: skepticism of Spain as a democracy seems to imply that it is instead a dictatorship, and those who have suffered under and survived a dictatorship can attest that today's Spain is not a true dictatorship. However, neither is it a democracy comparable to those in most of the European Union countries of Fifteen (EU-15) with economic development similar to that of Spain's. One of the most marked indicators of this includes the very narrow ideological spectrum broadcast in the mainstream media, whether public or private. Several examples follow.

A few days ago there was a report issued by a commission called the "Committee of Experts," appointed by the People's Party (PP)

government in order to make recommendations that, in theory, could ensure the solvency of public pensions in Spain. This Committee was composed mostly of professionals from the private insurance and banking industries (9 out of the total 12 members), financial institutions that have a strong interest in privatizing pensions at the expense of public pensions. In any other country with a greater culture of democracy, there would be a protest, conducted across several forums, but most certainly in the media; a protest would ensue, challenging the clear conflict of interest between these professionals and the project to which the Committee has assigned them. This group was charged with objectively studying the pension situation and outlining improvements, a task that clearly represents a conflict of interest to the insurance companies and banks from which the group of members draws. Of course, the members were not formal representatives of their companies; however, they maintain strong ties to their institutions, making it difficult for them to remain neutral and impartial. In fact, they do not just draw from these institutions marginally, but hold high-ranking positions of advantage in these banks and insurance companies. Predictably, the resulting report could have been written by either insurance companies (from which they received money) or the banks (from which they also received funds).

In a truly democratic country, the media would have served as a critical monitor of the situation, denouncing the clear partiality taking place. This, unfortunately, has not happened in Spain. The media has continued to refer to the commission as a "Committee of Experts," knowing that as the media they should instead (in theory) practice state surveillance and criticize the commission's anti-democratic behavior. Granting them the title "Committee of Experts" is conferring on them a legitimacy they do not possess nor deserve.

### **The Outrageous Media Bias: Propaganda Rather Than Information**

The evidence becomes worse: Five of the most influential media networks in the country, *El País*, *La Vanguardia*, *El Periódico*, *the World* and *ABC*, each published articles this past weekend (in both their Opinion and Economy pages) supporting the pensions cuts and endorsing the misnomered "Committee of Experts." At last count, there were a total of 23 articles covering this issue, with not one of them questioning if what the "Committee of Experts" was recommending was indeed necessary. Moreover, they claimed that there was both domestic

and international consensus amongst pensions experts that public pensions need to be scaled back. Professor Concepció Patxot from University of Barcelona asserted this in his "The Welfare State, Beyond Pensions" published in *La Vanguardia* (June 9, 2013). Likewise Professor Josep Oliver made a similar case in support of public pension cuts, writing a piece on "The Inevitable Cuts in Pensions" in *The Journal* (June 8, 2013). Editorials like these have run in several other major newspapers, and not one of them has argued in opposition to the cuts.

And so, the media has taken its cue from the "Committee of Experts," conducting a campaign of spreading blatant propaganda, advocating for slashing public pensions using the formula the "Experts" have calculated. In effect, implementing the Committee's recommendations would mean applying the most pronounced pension cuts in a country of the EU-15 that spends least on pensions. These newspapers have even invited leaders in the banking and insurance industries to contribute their "views" on the viability of pensions. *El Pais* ran an article the same day it published its others pieces supporting cuts (June 7) that sought the opinion of aristocrat Comte Henri de Castries of the House of Castries, president and CEO of the insurance company AXA. His (very much solicited) opinion on the future of public pensions, as expected,

predicted a catastrophic end to these pensions; he advised that the only option was turning to the insurance companies and banks to obtain a private retirement plan. The title of this piece was "Do you want a decent pension? Then save. The state will not give it to you." This aristocrat has called for privatizing not only pensions, but all public services, claiming people have become "spoiled" and demand more than what the state can and should offer. And as if that was not enough, he emphasized that the public medical care system should serve only for emergencies (i.e. for the most expensive cases) and not for comfort—the quality of life—of the citizen. And to further accentuate the radical character of his arguments, he indicated that wages were too high, adding: "Where is it written that wages can only go up? (...) Salaries should also be able to descend." He also, unsurprisingly, used the same argument in asserting that the mandatory retirement age was instituted over fifty years ago and, therefore, should be changed. It is curious that Castries and others making these arguments have not also mentioned how the working day of eight hours was designated in the nineteenth century over 100 years ago. Why not address this as well?

Castries' contribution is the finishing touch on the ideological war waged against pensions. Needless to say, this campaign lacks the slightest

democratic sensibilities and reflects an arrogance that characterizes the Spanish establishment. This arrogance is unique to Spain out of the entire EU-15. Spain has one of the poorest welfare states of the fifteen, with some of the lowest salaries and pensions, and yet there are still campaigns for further cuts. At this point, it is necessary to mobilize the classes, and encourage demonstration against a media that disseminates misinformation throughout Spain. The media is obviously a key part of the problem and the people should hold it accountable. A strengthened democracy in Spain requires a significant overhaul of a less than democratic media; currently, the media provides much more propaganda than information.

Contrary to Spanish media claims, the vast majority of international experts on Social Security issues do not defend the view that public pensions are implausible (see *Social Security: The Phony Crisis* by Dean Baker and Mark Weisbrott from University of Chicago Press, and the book *What You Should Know So They Don't Steal Your Pension* by Vicente Navarro and Juan Torres from Espasa Press). Quite the contrary: today, Spain allocates very little towards pensions, and pensions, including those with employee contributions, are low. The evidence in that regard is overwhelming. Still, any voices that question

the conventional or mainstream "wisdom" in Spain have marginalized; the financial, political and media establishments are very well aware that their fragile and flawed arguments are easily dismantled, and can only survive if they are enabled and endorsed by an aggressive media. They are determined to quash reason and truth to pursue their own interests at the expense of democracy.