



976451 Contemporary Spain

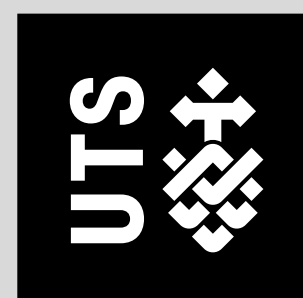


Week 11 – Economic Crisis



Dr. Nick Manganas

Faculty of Arts & Social Sciences



ECONOMIC CRISIS IN SPAIN

1. Historical context
2. Social impact
3. Contemporary Spanish politics
4. Crisis and *las dos Españas*

Todo lo que era sólido se desvanece en el aire
(All that was solid melts in the air)

Antonio Muñoz Molina

- ✓ 'Crisis' was more than just a buzzword but a devastating social phenomenon
- ✓ Both major parties, the PP and the PSOE are responsible for it (structural economic issues)
- ✓ The economic crisis changed the political landscape
- ✓ *Las dos Españas* was present in political discourse



CRISIS

■ How did we get here?

“Perceiving economic crises is not easy because they can grow unnoticed until everything collapses. Then something happens to change society’s sense of how the world works, especially after the realisation that all that remains is void and emptiness. In twenty-first century Spain, emptiness manifests itself physically, politically and emotionally. The country is filled with empty building, stillborn projects, immobile machines, empty pockets and idle hands [...] No one understands exactly why everything believed to be durable has crumbled.”

Elvira Vilches 2015, p. 122)

“Accustomed to seeing itself (and to being seen) as the architect of a model transition to democracy and economic successes [...] Spain is now at the centre of international attention for its economic frailty, extremely high unemployment, and protest movements, such as the *indignados* (indignant)”

Field & Botti 2013, p. 3



Las dos Españas

A national division that splits Spain in two

Nationalist “conservative” Spain

Vs.

A “republican” liberal Spain

A narrative that defined the civil war and dictatorship period

A division that was seemingly taken care of through negotiated pacts of “silence” and “forgetting”

When did the transition begin and end?





First period of economic development 1959-74 Franco Era

- Political and economic engagement of regime with broader world → trade, foreign investment
- Infrastructure development
- Rural exodus
- Tourist destination
- Focus on industrial north, Barcelona and Madrid, while other areas lagged.

Ended by the worldwide oil crisis. Franco died the following year and the political transition then began.



Democratic transition – Socialist Government 1982 - 1996

- From dictatorship to pluralist liberal democracy
- 1978 Constitution
- Decentralisation to autonomous communities → creation of regional institutions with impact on economic activity
- End of censorship and restoration of civil rights
- Huge social changes
- Expansion of education and social security
- Privatisation of state-owned industries and other economic reforms
- Negotiated accession to EEC

FELIPE GONZÁLEZ

The González years:

1986: Spain and Portugal **joined EC** (12 member states)

Spain, **largest recipient of EU** structural and cohesion funds > help soften global recession

1990s **Heavily dependent on foreign capital**

Growing immigration, especially from Latin America and Maghreb

1992: Spain's **year of miracles**

Madrid, cultural capital of Europe

Barcelona, Olympic Games, Seville, World Expo

This year marked the quincentenary of which key events in Spanish history?



FELIPE GONZÁLEZ

- Growing **tourism** and **internal demand** (consumption, housing)
- 1990's **capitalist development**: big Spanish holdings as a result of privatization of public companies > succeed in controlling domestic market and internationalising their activities (Telefónica, BBVA, Santander, Repsol, Ferrovial, Abertis, Indra, Zara, Mango)
- Spanish companies exploited opportunities after debt crises led to privatisations and austerity measures in many Latin American countries.
- ETA intensifies their attacks during the González years
- The state retaliates with a “dirty war” (GAL)
- Accusations of corruption





The Aznar Years: 1996 – 2004

- abundant liquidity and cheap credit
- low interest rates
- permissive legislation for building and urbanisation + corruption & illegality
- lack of profitability in the manufacturing and service economy > enlargement of EU and rise of China reduces competitiveness
- a longing for better homes among the Spanish population
- European visitors (English and Germans seeking sun) and boom immigrants buying apartments
- Spain was one of the stronger economies in a mostly stagnant EU.
- Period of prosperity: building allowed plenty of jobs and good wages



Figures:

- In 2004 more than 500,000 houses/apartments built per year
- In 2005 more houses built in Spain than France, Germany and the UK combined
- Housing stock of 23 million in a country with 45 million inhabitants

Introduction of the Euro

■ Locking itself into the new currency gives Spain the advantage of seamless transactions with other European countries, but restricts options for monetary policy in a downturn.

Had Spain not entered the Euro and instead retained its own currency, the peseta → the crisis would have seen the peseta crash in value, making Spain's exports much cheaper for the rest of the world, thus creating a channel for renewed economic growth.

1999: The euro came into existence as the official currency of 11 EU countries.

1 January 2002 euro notes and coins were introduced into circulation.





The Aznar Years (1996 – 2004)



- ✓ Political polarisation between the left and right emerges in the media and political discourse
- ✓ Reclaiming of Spanish “glory” – entering on the world stage
- ✓ Iraq War
- ✓ March 11 attacks
- ✓ Incremental neo-liberal economic policies



REDIFUSIÓN
08:37:26

Return of the Socialists Triumph of Zapatero

- A second transition?
 - Conservatism delegitimised for the Spanish public?
 - Zapatero as illegitimate leader
 - Political polarisation reaches fever pitch
- “All in all, PSOE’s victory is bad news – bad news for Spain, where the successful, anti-terrorist, economic, and foreign policies of the Aznar era might well be overturned; bad news for the international struggle against Islamic terror, which has seen its greatest political victory ever on March 14, and bad news for bilateral Spanish/US ties” (Radu 2006, 153)



2007 – 2009: the first impacts of the GFC



- ✓ When the crisis started to unfold Spain was in an optimistic mood
- ✓ In March 2008 there were general elections in Spain and PM Zapatero still said that there was no crisis
- ✓ The Spanish Socialist Government took measures that worsened the situation
- ✓ Austerity measures implemented

Las Casas

The bubble bursts

2008 - 2010: Deficit and debt of the Spanish economy increased rapidly and its dependence on external credit became clear.

2009: Unemployment already above 19%. Spain officially entered recession in February.

Public expenditure over GDP grew sharply between 2007 and 2011, registering an increase of almost 8% of GDP, nearly twice as much as Euro Area average.

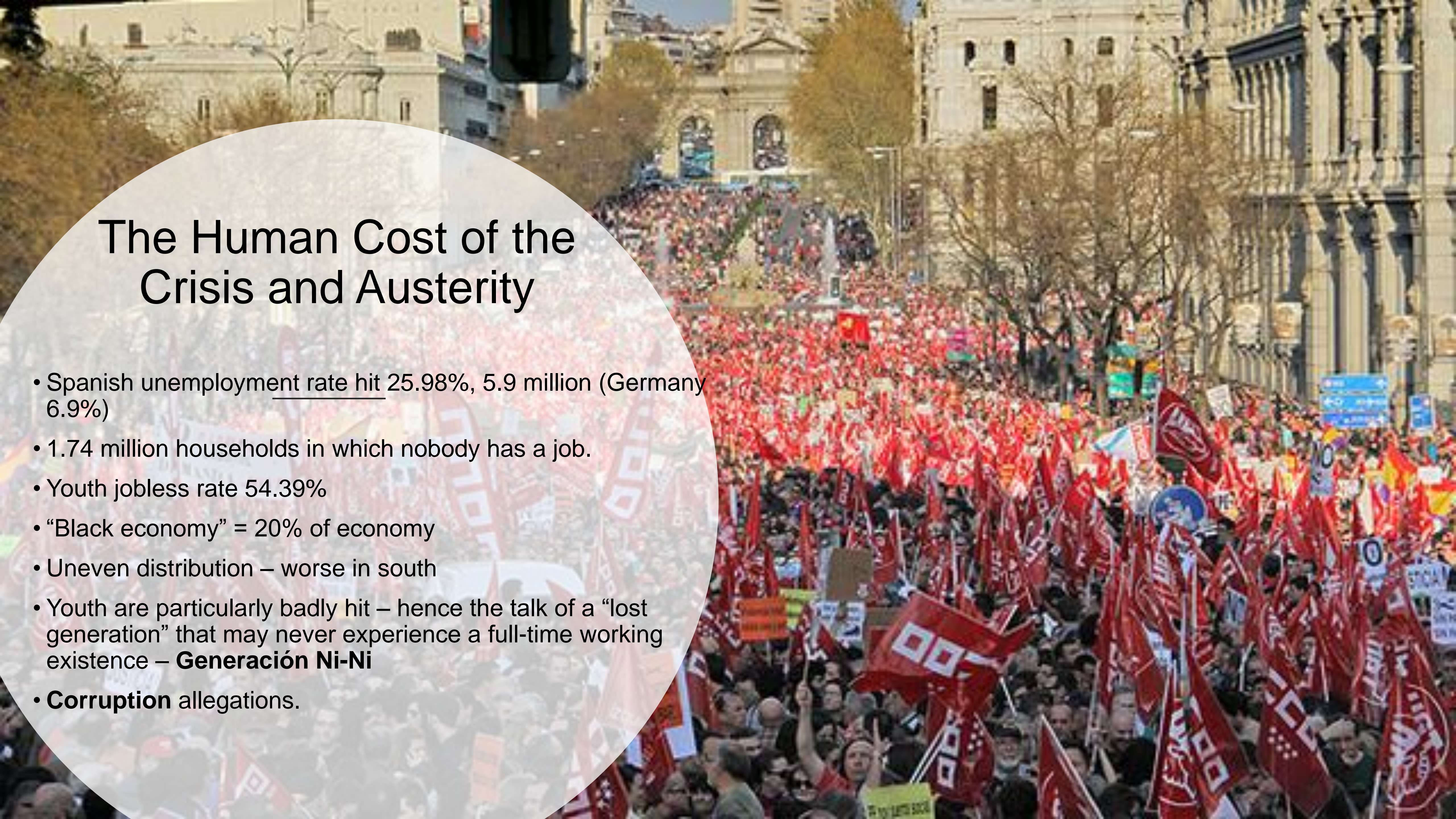
At the same time, there were reduced tax revenues (down 17% in 2009) because of lower economic activity.

Construction sector most affected.



The Human Cost of the Crisis and Austerity

- Spanish unemployment rate hit 25.98%, 5.9 million (Germany 6.9%)
- 1.74 million households in which nobody has a job.
- Youth jobless rate 54.39%
- “Black economy” = 20% of economy
- Uneven distribution – worse in south
- Youth are particularly badly hit – hence the talk of a “lost generation” that may never experience a full-time working existence – **Generación Ni-Ni**
- **Corruption** allegations.



2011 Start of the massive wave of social protest

Birth of 15-M movement / indignados on 15 May 2011

Anti-austerity movement

Millions of Spaniards are believed to have participated in these protests at some point

More than 80% of Spaniards agreed with 15-M's critique of the economic power-holders and the political class



The Rajoy Era 2011 – 2018

Nov 2011: General elections Rajoy (PP) defeats Zapatero (PSOE)

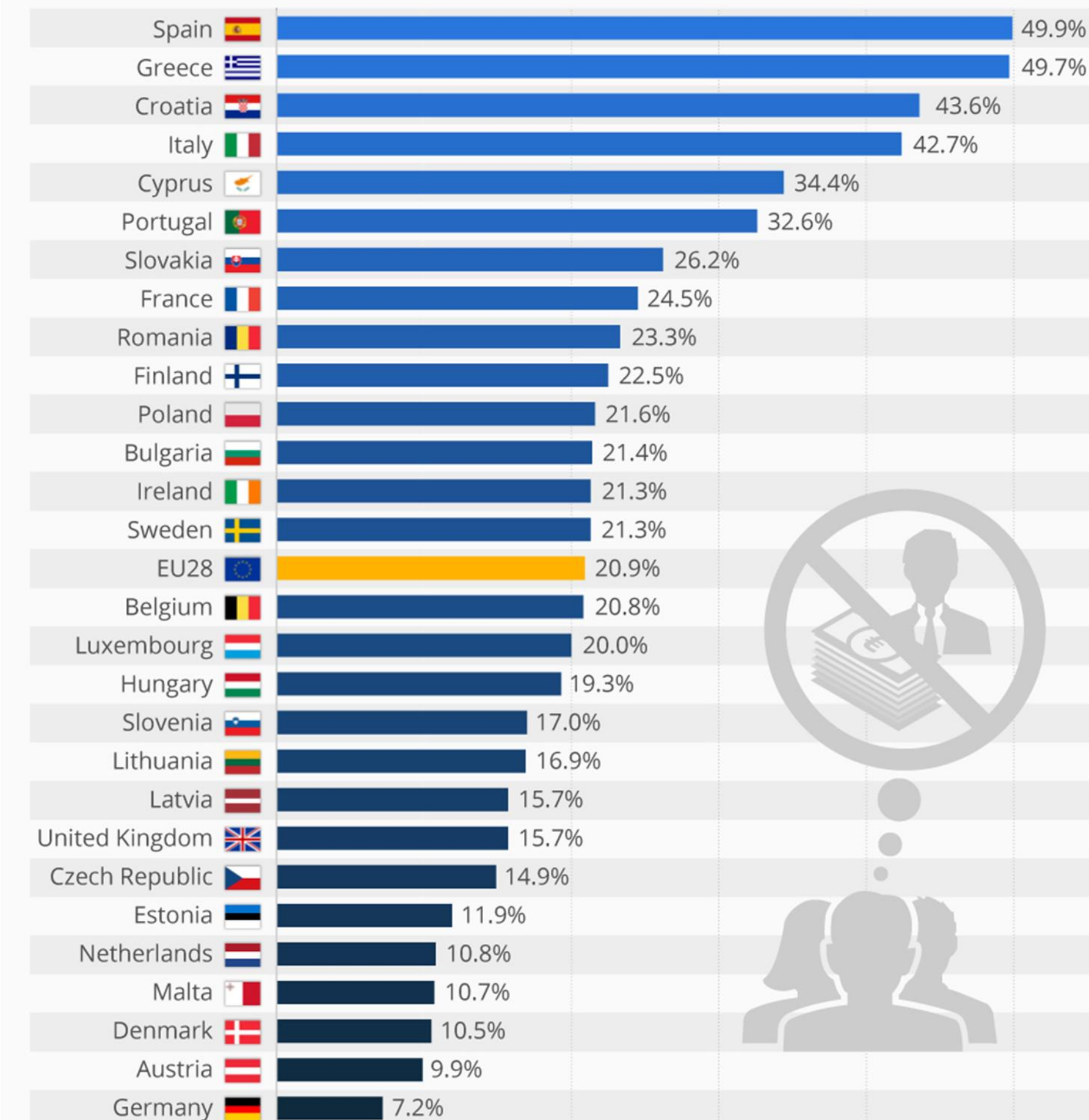
Socialists voted *OUT* rather than PP voted *IN*

Rajoy PP government submits to EU/IMF/ECB (“troika”) pressures and imposes drastic austerity measures



Youth Unemployment Still Unrelenting In Europe

Youth unemployment rate in the European Union in March 2015*



More Austerity

Rajoy continued the austerity policies that Zapatero had implemented after pressure from EU institutions in May 2010 a 65 a 65 billion euro cut in spending

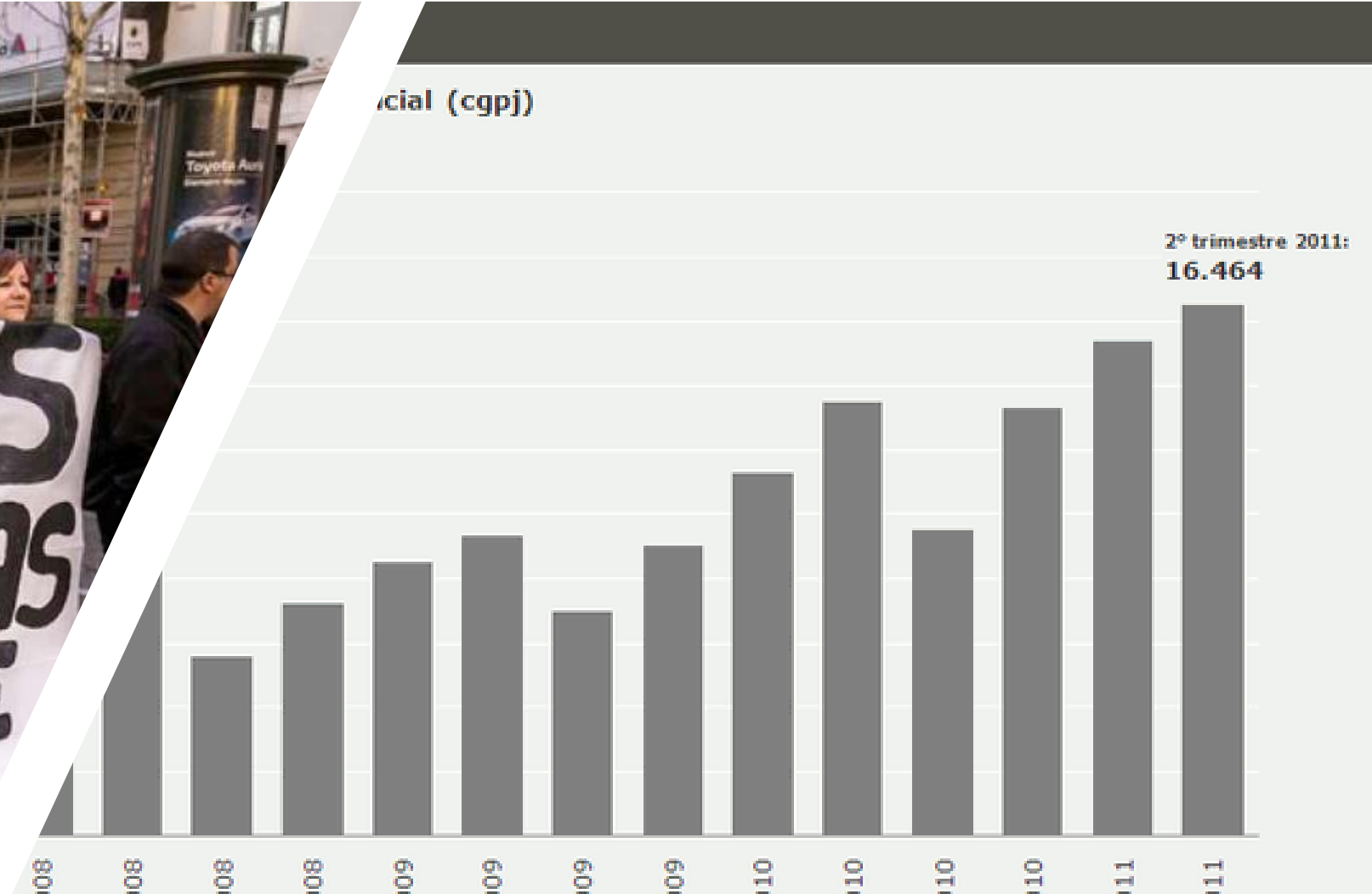
- A reduction of funding of political parties, unions and employer's Organizations by 20%
- The freezing of the salaries of public servants
- An increase in the hours in a work week
- Increased income tax
- Reform of the labour market
- A 100 billion euro package from the EU which Rajoy called a loan rather than a bailout to clean up the banking sector
- Increased indirect taxes and value added taxes
- The reduction of unemployment benefits
- PLUS cuts to services in the autonomous communities (health, education etc.)



Evictions



Plataforma de Afectados por la Hipoteca (PAH)
(Platform for People Affected by Mortgages)





Ley Mordaza

In 2014 the government took advantage of its majority in both houses of parliament to introduce a public security law, quickly dubbed “Ley Mordaza”, i.e. “Gag Law”. It provides for penalties of up to:

- €600 for insulting police officers.
- €600 if an approved march deviates from approved route.
- €600 for failing to notify authorities about demonstrations in public areas, even if it's a peaceful protest.
- €30,000 for protests that result in “serious disturbances of public safety” near parliament and other national and regional government buildings.
- €30,000 for burning national flag.
- €30,000 for disseminating photographs of police officers deemed to endanger them or their operations.
- €30,000 for attempting to prevent home repossessions/evictions.
- €600,000 for unauthorised protests near key infrastructure, such as transportation hubs, nuclear power plants, refineries and telecommunications installations.



Emergence of Podemos

So what happened after the majority of those 2011 protesters packed up their tents and went home?

Leader: Pablo Iglesias

Strategy: Brands elites as “la casta”

La Casta Vs. Normal people





Emergence of Ciudadanos

- Began in Catalonia in 2006 as *Ciutadans*, meaning Citizens. Won seats in successive Catalan parliaments before going national in 2013.
- Opposes Catalan independence movement (and critical of Catalan language policy)
- Strongly pro-European / staunchly anti-corruption
- Claims to be progressive, but is often critiqued as being centre-right.

FRAGMENTED BIPOLARISM: End of the two-party system

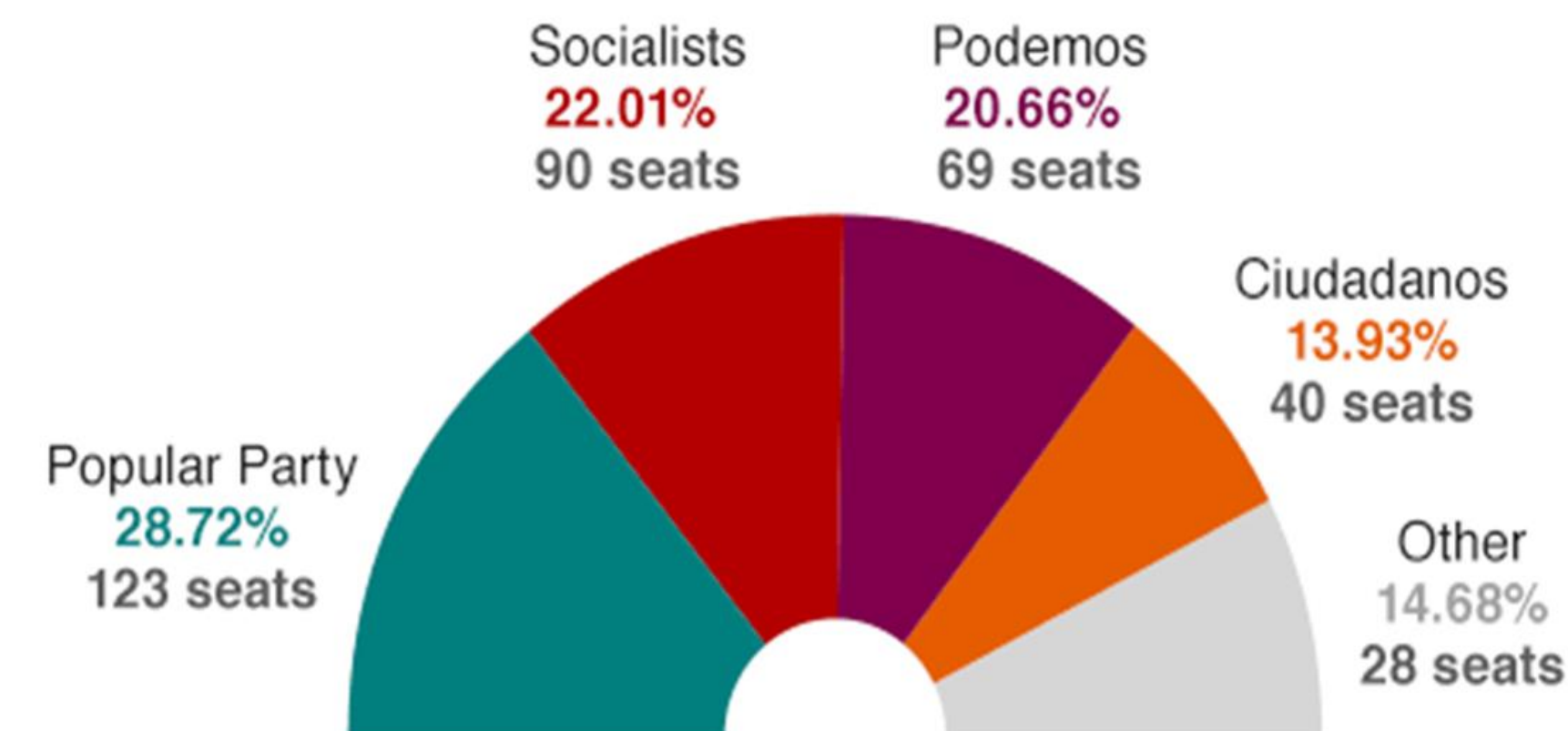
Where does this leave *las dos Españas* today?

Perhaps the division is no longer between the left and the right but between two different conceptualisations of what Spain is, an “old Spain” and a “new Spain”.

A division about where Spain finds itself now and where it should be headed into the future.



Spain 2015 general election results





Next week:
The Future of Spain?

- Where is Spain now?
- What has happened since the 2015 elections?
- What are the major issues at stake in the near future?