

# Spanish parliament passes constitutional amendment capping public deficit

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10 September 2011

The Spanish Constitution has been amended with a new article that limits the public deficit.

For 33 years the Constitution has been considered untouchable by the ruling parties, only amended once in order to adapt the country's legislation to the European Union's legal framework. Now, in a span of two weeks since Prime Minister Zapatero announced that he was planning an amendment, a new article has been added in a bid to reassure international markets that Spain is serious in cutting its deficit.

The amendment was rammed through Congress in a fast-track procedure, with 318 voting in favour and 16 against, with 2 abstentions, on August 30. The support came from the right-wing Popular Party (PP) and the ruling Socialist Workers' Party (PSOE), with only one smaller party, the conservative Navarre People's Union (UPN), supporting the measure.

Those voting against included deputies of the nationalist and regionalist parties—the Partido Nacionalista Vasco (PNV), Esquerra Republicana de Catalunya (ERC), Nafarroa Bai (NaBai) and Bloque Nacionalista Galego (BNG)—along with the the United left (Izquierda Unida, IU), its Catalan regional ally, the Iniciativa per Catalunya Verds (ICV), Union Progreso y Democracia (UPyD) and one deputy of the PSOE, Antonio Gutiérrez, ex-general secretary of the Comisiones Obreras (CC.OO) union. The right-wing Catalan nationalist group CiU abstained.

One week later, the Spanish Senate (upper house) endorsed the constitutional amendment with 233 votes in favour and 3 against. The nationalist parties and the ex-left formations did not vote.

The nationalist parties are primarily concerned with maintaining their regional authority, so that they can build direct relations with Spanish and global corporations and banks. Josep Antoni Duran Lleida, CiU congressional leader, complained: "If we weren't involved in the

consensus or the dialogue, then we are not involved in the vote.... They [PP and PSOE] cooked it up, and let them eat it".

However, the nationalist group supports fiscal austerity and is currently imposing a 10 percent cut in last year's budget in Catalonia.

The IU, along with the main trade unions, the UGT and CC.OO, declared a one-day token protest against the new reform. However, they were only able to mobilise a few thousand workers and members of the *Indignados* movement against the reform in Barcelona and Madrid.

CC.OO official Ramón Górriz said, "The objective of these demonstrations...is to show our rejection of the constitutional reform proposed by the PSOE and the PP, to ask that deputies and senators do not vote in favour of it in parliament, and to demand that if the proposal is approved for it to be subject to a referendum."

The demand for a referendum is a means of demobilising opposition to measures that must mean massive cuts in all forms of social spending. The ruling parties will not agree to a referendum—which must be endorsed by 10 percent of the deputies of either the upper or lower house—particularly before upcoming general elections.

In less than a week, 82,177 people had signed a petition to demand that the deputies of both houses force a referendum. But Prime Minister Zapatero has called early elections for November 20 and is set to dissolve the parliament by the end of this month.

The IU, a coalition led by the Stalinists, is echoing the nationalist parties in presenting the amendment as an attack on Spain's national sovereignty, rather than an attack by the bourgeoisie on the working class. Gaspar Llamazares, spokesman for the IU, complained: "We are substituting the sovereignty of citizens with the sovereignty of the markets."

Since his re-election in 2008, Zapatero has pushed

through all the social cuts demanded by the PP: imposing a €15 billion austerity package that includes cuts to civil servants' salaries of between 5 and 15 percent, raising the retirement age from 65 to 67, and introducing a new labour reform that worsens labour and pay conditions.

These measures have been implemented amid widespread hardship and unemployment levels that reach a fifth of the workforce and close to 50 percent among 18-to-25-year-olds.

The latest measures passed last August, after a renewed speculative attack on Spanish government bonds, include lifting the ban on employing a worker indefinitely on temporary labour contracts.

The government has already cut the public sector deficit from 11.1 percent of GDP in 2009 to 9.2 percent in 2010. The aim this year is to reduce the deficit to 6 percent and to the EU ceiling of 3 percent in 2013.

The idea of constitutional limits on debt levels was broached at the July 21 European Summit, when European Union leaders approved a new loan package for Greece and encouraged member states to implement fiscal discipline. Germany has already included this stipulation in its constitution, while France and Italy are working on it.

During a summit meeting on August 16 with French President Nicolas Sarkozy, German Chancellor Angela Merkel demanded that all countries take up the German model of a constitutionally mandated balanced budget and put their labour market to a stress test.

The deficit ceiling will be used by the next government to impose harsher austerity measures. Both parties have already stated they will introduce a new law limiting the deficit at 0.4 percent of the GDP (0.26 for the state and 0.14 for the regions), coming into effect from 2020.

A 0.4 deficit ceiling is excessively low. Vicenç Navarro, professor in public policy in the University Pompeu Fabra, pointed out that in the last 20 years, "neither the euro zone, nor the OECD has ever had a structural deficit of 0.4 percent in any year. Germany did it one year, the US three years, the UK four, and Spain four, at the expense, of course, of having the lowest public expenditure per capita in the EU15."

EU15 refers to the number of member states prior to the accession of the east European states.

He continues, "GDP per capita in Spain is now 94 percent of the EU15 average; however, social spending per capita is only 74 percent of the EU15 average" and only 1 in 10 are employed in the public sector.

It is not excessive spending, but the cuts in taxes on

large businesses and the rich that have caused problem in the public finances. One of the latest measures passed in August by the PSOE cut VAT to 4 percent on the purchase of new housing until the end of the year, benefitting the banks and the large real estate owners.

It was the favourite to replace Zapatero as PSOE leader, millionaire candidate Alfredo Perez Rubalcaba, who recommended that no precise spending cap be included in the reform, and that this be included in a separate law. He held a series of meetings within the PSOE to obtain backing for the reform, defending it as a measure to "show that Spain is a serious country".

Zapatero also defended the reform as a "step toward strengthening confidence in the medium and long-term stability in the Spanish economy".

The emphasis on reducing public spending by the two major parties is aimed solely at attacking the living conditions of the working population. The same government that talks of the need to reduce public spending in order to have a balanced budget abolished a wealth tax in April 2008, which brought in €2 billion in 2007.

This measure was accepted by Rubalcaba, who is now cynically asking for "an extra effort from those who have most".

According to the conservative newspaper *ABC*, the PP would win 47.6 percent of the vote if national election were held now, compared with 35 percent for the PSOE as a result of its loss of support among working people.

The PSOE has followed a policy that is no different from the PP, creating the most favourable conditions for a conservative victory. The PP has already imposed harsh austerity measures in all the regional governments under its control, Castilla-La-Mancha being the best example. Regional President Maria de Cospedal took over from the PSOE after local elections on May 22. She intends to slash €1.7 billion in spending, mainly from education, public maintenance, pharmaceutical spending and scrapping commissions and agencies.

The passing of the constitution amendment with the support of both main parties shows that cuts are on the agenda, whoever wins the November elections.



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