# The political economy of the Spanish bank bailout

**Nick Beams**
**11 December 2012**

The decision last week by euro zone finance ministers to provide €39.5 billion for a Spanish bank bailout is a trial run for a much more extensive operation that will have at its centre further attacks on the social position of the working class.

Under the agreement, €37 billion will be provided to four major banks already receiving support from the Spanish government, with €2.5 billion deposited in a so-called "bad bank" intended to cover losses resulting from the collapse of the Spanish real estate market.

The measures are to be accompanied by job-slashing at the banks concerned and increased pressure on the Spanish government to intensify its austerity program, which has already cut €150 billion from social services. However, the bailout falls well short of what is needed to cover Spanish debt.

Last June, it was estimated that Spanish banks would need at least €100 billion, and the €2.5 billion set aside to cover the collapse in the property market is a drop in the bucket compared to the estimated €60 billion losses incurred. These initial measures are widely regarded as a prelude to a full-scale operation to bail out the Spanish state and institute the kind of financial dictatorship now in place in Greece.

The latest intervention has nothing to do with promoting economic recovery. Such threadbare claims are merely intended for public consumption. The austerity measures demanded by the euro zone financial authorities will only deepen the recession in Spain, where unemployment is already at 25 percent overall and 50 percent and more for youth.

The purpose of the bailout is to prop up the financial elite and impose the full cost on working people in the form of massive cuts in social programs and working class living standards. Workers are being driven into poverty in order to provide the resources to cover the losses incurred by the banks and finance houses from speculation in real estate and property markets.

In recent weeks, all of the major central banks have stepped up their policies of monetary stimulus to pump virtually unlimited amounts of cheap credit into the financial system. They have been driven by the mounting signs of global economic slump and the resulting weakening of the position of the major international banks. Last week's Spanish bank bailout is part of a broader European-wide and international policy.

The expansion of bailouts for the banks goes hand in hand with an intensification of attacks on the working class and the spread of these attacks across Europe.

This policy is underpinned not simply by economic considerations, but, even more so, by political ones. Basing itself on its success, thus far, in imposing Depression-era conditions on Greek workers, finance capital feels emboldened to extend its social counterrevolution to Spain, Italy, the rest of Europe and beyond.

But its ability to impose historic attacks in Greece, despite bitter and dogged resistance by the working class, has been dependent on the services of pseudo-left organisations, led by SYRIZA, in channelling that resistance behind the trade unions and opposing the development of a revolutionary movement aimed at the conquest of political power and overthrow of the Greek capitalist state.

SYRIZA plays a thoroughly duplicitous role. On the one hand it wins popular support by claiming to oppose the cuts, while insisting on the other that Greece remain within the European Union, which is dictating them. Based on privileged sections of the middle classes and implacably opposed to a revolutionary struggle by the working class, SYRIZA views the economic crisis as a means of integrating itself more fully into the state by offering its services to finance capital.

The European governments and ruling classes must now rely more than ever on the various pseudo-left groups—SYRIZA in Greece, the Left Party in Germany, the New Anti-capitalist Party in France, the Socialist Workers Party in Britain, the Stalinist-dominated Izquierda Unida (United Left) in Spain—to undermine and dissipate working class opposition. For their part, all of these organisations signal their eagerness to play their assigned role by hailing SYRIZA as the model to be emulated by the European and international "left."

At the same time, preparations are stepped up for state repression on a massive scale. The Spanish government is increasing its spending on police and security forces, including a 1,780 percent increase in expenditure on riot personnel and equipment over the next two years.

In Spain, the stakes are even higher than in Greece. This is because the German banks are heavily involved in the Spanish financial crisis. According to the Bank for International Settlements, German lenders have an exposure of $139.9 billion to Spain, the highest in Europe, of which almost $46 billion is to Spanish banks. This is one of the reasons the German government has been opposed to any write-down of Greek debt, fearing it could set a precedent that would extend to Spain.

Last June, when a €100 billion bailout for the Spanish banks was first mooted, a Reuters report noted that it was "effectively a back-door bailout for reckless German lending," adding that "if lenders in Spain were allowed to default, the consequences for the German banking system could be very serious."

More than 150 years ago, Karl Marx made the telling point that the stability of the credit and financial system was dependent on the course of the class struggle. To the extent that the bourgeoisie was confident that the "wolves of finance" could continue to devour the resources of the state, then the credit system would continue to function.

But that confidence would collapse under conditions of a revolutionary upsurge by the working class and a crisis would result. These remarks point to a major feature of the political economy of the euro zone debt crisis.

Finance capital, as Greece, and now Spain, demonstrate, is increasingly dependent on the organisations of the pseudo-left, together with the trade union apparatuses, to prevent such a development taking place.

Nick Beams