Oxfam Report exposes reality of Spain's "economic recovery"

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After years of unrelenting recession and stagnation, Spain has finally managed to string together a few quarters of timid economic growth—reaching 3.2 percent for 2015, with unemployment easing slightly.

The bourgeois media and politicians in Spain and across Europe have sought to present this as a success story. Spain has pulled itself out of the post-2008 economic downturn, they proclaim, on the strength of its "painful sacrifices" and European Union-backed austerity policies, and did so without a bailout. This was in contrast to most of the other so-called "PIIGS" (Portugal, Italy, Ireland, Greece and Spain), they state. Spain's Popular Party (PP) Finance Minister Luis De Guindos boasts that "Spain is now a role model."

The falseness of this story is subjected to devastating exposure by a recent report by Oxfam International charity on global wealth inequality, "An Economy for the 1%." The report made headlines last month by revealing that the 62 richest people in the world possess as much wealth as half the world's population, or 3.6 billion people. A supplement to the report focusing on Spain shows that the country's own levels of inequality have skyrocketed since the eruption of the global economic crisis in 2008.

A recital of some of the facts makes for shocking reading.

Oxfam found that the 20 richest people in Spain had as much wealth as the bottom 30 percent of the income scale. In just the past year, the net worth of these 20 people increased by 15 percent, while the wealth of 99 percent of the population fell by 15 percent.

Since the 2008 economic crisis, inequality has increased faster in Spain than in any other OECD country (except for Cyprus), and it has done so 10 times faster than the EU average.

Inequality in Spain has increased 14 times faster than even in Greece, the country used as the test case by the EU for continent wide austerity.

The report notes that, in 2014, some 13.4 million Spaniards, nearly 30 percent of the population, were at risk of poverty or social exclusion. This is 2.3 million more than in 2008 and six percentage points higher than the average among the core 15 EU countries. This 30 percent has seen its net worth grow by barely 3 percent in the past 15 years, while that of the 10 percent of richest individuals shot up by 56 percent.

Spain's tax system helps to reinforce and consolidate the chasm between the fortune of the few and the misery of the many. For instance, 2015 was a boom year for SICAV investment funds (Société d'Investissement à Capital Variable, Investment Company with Variable Capital) which are essentially exempt from taxation, and now amount to a market worth €38 billion. Such funds are available only to the very wealthy.

Spain's level of taxation at 8.2 percent is among the lowest in the euro zone. But this is deceptive. Some 85 percent of taxation falls on households (wages, social security contributions and VAT), rather than assets, wealth and capital. Corporate tax in 2014 brought in 58 percent less revenue for state coffers than in 2007, with the vast majority of revenue lost when the Socialist Party (PSOE) was in power from 2004 to 2011.

Seventeen of the 35 multinationals on the elite IBEX-35 stock index paid no corporate tax at all in Spain, as the number of subsidiaries domiciled in tax havens (especially the Cayman Islands), increased by 44 percent in the year 2014 alone.

The report concludes that Spain "taxes much less than it should, it taxes little those who have the most, it taxes with hardly any redistribution, and has one of the highest rates of tax evasion and avoidance in Europe."

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The result of this is that nine of every 10 euros in taxation comes from the pockets of the working class.

The increased exploitation of the working class, noted in the report, has allowed for renewed economic growth. Average wages in Spain plummeted by 22.2 percent between 2007 and 2014, while dividends paid to shareholders increased by 72.4 percent, the pay packets of senior executives leapt by 80 percent and that of CEOs by 30 percent.

Further, growth has been sustained by a fortuitous mix of external circumstances. First is the low price of oil, which has lowered production costs for Spanish companies. Then, a depreciated euro has boosted Spain's exports.

Lastly, Spain has been financing itself with an ongoing injection of cheap or free loans from the European Central Bank (ECB), which has kept the money printing machines going non-stop via its quantitative easing programme in an effort to backstop the troubled finances of EU countries like Spain.

The renewed economic growth has done nothing to halt Spain's descent into the vicious cycle of deflation, in which falling prices depress wages and vice versa. Prices fell by a huge 2.5 percent in January, making annual inflation minus 0.4 percent, down from minus 0.1 percent in December—figures that took analysts and government officials completely by surprise.

The Oxfam report shows that most of the benefits of the recovery have gone to a small group of people, all of whom could fit in a single room. However, the Oxfam report offers only a plea to the existing widely discredited political set-up as a remedy to the terrible social reality it describes. It calls on whatever new parliament eventually issues from December's general election to take action, detailing a list of measures aimed at alleviating inequality, boosting equality of opportunities, and reining in tax evasion.

Needless to say, such a wish list will be studiously ignored by Spain's capitalist politicians, including the pseudo-left party Podemos, which is trying to salvage the collapse of the two-party system and cobble together some sort of coalition government that will continue as servants of the financial aristocracy. Its role will be to ensure that the state will in no way hinder—indeed, that it will facilitate—the accumulation of massive wealth by the financial aristocracy.

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