Spain’s PSOE-Podemos government unveils €11 billion corporate bailout

Alice Summers
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At the end of February, the Socialist Party (PSOE)-Podemos government unveiled a new plan for an €11 billion bailout package for Spain’s corporations. The government will begin disbursing the funds within 40 days, Finance Minister María Jesús Montero announced last Thursday.

The bailout, approved by a Cabinet meeting last Friday, is geared to the tourism sector, as well as restaurants, bars and cultural venues, according to PSOE Prime Minister Pedro Sánchez. Last year was the worst year for tourism in Spain since the 1970s, with tourist revenue falling more than 75 percent compared to 2019. Spain’s economy shrank 11 percent overall in 2020.

The new proposal is only the latest in a series of bailouts, but it is the first to provide direct aid to companies, instead of state-backed loans. The Spanish state has so far underwritten around €120 billion in loans to big business, handing approximately €51 billion to the transport and hospitality sector and around €24 billion to manufacturing.

The handing out of billions of euros of free money to Spanish corporations gives the lie to the absurd claim that “there is no money” to fund a shelter-at-home policy across the country. Workers have been forced to continue working in unsafe offices, factories and other workplaces amid a raging pandemic to ensure the continued funnelling of profits into the coffers of the bourgeoisie.

Children, teachers and other education workers have likewise been herded back into overcrowded and unsanitary classrooms so parents could to go to work, providing a perfect breeding ground for the coronavirus. Spain has recorded over 3.2 million coronavirus cases, the eighth-highest total in the world.

The new bailout plan includes three separate funds. The first is a €3 billion programme to restructure Spanish corporate debt, to be administered by the state-owned bank Instituto de Crédito Oficial (ICO). Companies will be able to solicit funding from the ICO until the end of 2021, which can include participatory loans and debt relief, all backed up to 80 percent by the state.

A further €1 billion will be handed to medium-sized companies in capital injections as part of the second fund, which will be overseen by state-owned financing company COFIDES. Aimed at preventing insolvency, this so-called “recapitalisation” plan would see the Spanish state potentially taking a temporary stake in the bailed-out businesses in exchange for a variety of different government-guaranteed loans.

This bailout will follow the same pattern as the €10 billion fund the PSOE-Podemos government set up last July to rescue companies considered “strategically important.” This €10 billion rescue plan is overseen by the state-owned holding company SEPI (State Society of Industrial Participation), whose first act was to hand airline Air Europa €475 million in loans last November.

Since then, SEPI has distributed hundreds of millions of euros to large companies such as construction engineering firm Duro Felguera (€120 million in loans) and long-haul airline Plus Ultra (€52 million), with a further bailout deal of up to €550 million likely to be secured by steel manufacturer Celsa within the month.

The final strand of the €11-billion bailout plan will see €7 billion transferred to “small and medium-sized enterprises” (SMEs) and self-employed workers in the form of non-refundable direct aid, administered by Spain’s 17 autonomous regional governments. The funds must be spent on “fixed costs” or debt reduction, such as paying for rent or bills and paying suppliers or employees.

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The Balearic Islands and the Canary Islands, whose economies are largely reliant on the seasonal influx of holiday-makers, will receive €2 billion of this fund. These two regions have been among the hardest hit by the slump in tourism revenues due to pandemic-related international travel restrictions. The Balearics saw a drop in gross domestic product of 27 percent in 2020, while the Canary Islands saw their regional income fall by around 20 percent, according to Bank of Spain data.

While the PSOE-Podemos government claims that the bailout programme is intended primarily to assist self-employed workers and SMEs, larger businesses will receive the lion's share of the bailout. Self-employed workers will only be able to claim a maximum of either €3,000 or €4,000, depending on which taxation system they are under, a pitiful sum which will do little to help the hundreds of thousands of workers who have lost almost all of their income due to the pandemic.

Larger companies, however, can claim up to €200,000 depending on the size of their business and the scale of their pandemic losses. Companies and self-employed workers must be able to prove that their business has suffered losses of more than 30 percent in 2020 as compared to 2019. "Micro-SMEs" and the self-employed can claim up to 40 percent of their losses in relief, and larger companies can claim up to 20 percent.

In an attempt to give the legislation a progressive gloss, the PSOE-Podemos government also included a clause imposing the pathetic "conditions" that businesses do not raise executive pay, that they are up to date with their tax filings and that they do not operate in tax havens. The bailout funds will also be contingent on companies remaining in operation until at least June 2022.

The initial bailout plan had included €2 billion in direct aid to companies, rather than the €7 billion proposed in the final plan. Only after a tactical dispute with the pseudo-left Podemos party—which demanded €8 billion in direct handouts—did the PSOE government raise this amount to €5 billion and then to the current €7 billion.

Podemos' squabble with the PSOE over exactly how much of the €11 billion fund should be directly transferred to companies is an exposure of their pro-capitalist, anti-working-class orientation. They have no objection to funnelling billions of euros into the pockets of Spain's business owners, desiring only that they get a greater say in exactly how it be disbursed.

Last November, Podemos leader Pablo Iglesias entered into a similar spat with the PSOE over his party's initial exclusion from a commission overseeing the distribution of European Union bailout funds to the super-rich. Soon after, the government included Iglesias on the commission .

While billions have been handed to the bourgeoisie, nearly 1 million workers have lost their jobs since the start of the pandemic, bringing total unemployment up to over 4 million—the highest figure since 2013. A further 900,000 people remain furloughed under the government's ERTE scheme, and may never regain their previous jobs.

Meanwhile, the median salary in Spain has plummeted, falling by 3.1 percent to €1,641 a month at the start of March. This is the largest annual decrease in at least 50 years. More than a quarter (27.4 percent) of children in Spain is at risk of poverty, Prime Minister Sánchez admitted last month, or 2.3 million individuals.

Instead of making funding available to allow workers to stay at home on full pay and providing the necessary investment into health care infrastructure and personnel, the PSOE-Podemos government has pursued a herd immunity policy in all but name. Even as cases and deaths rocketed at the start of the year, the nominally "left" government refused to implement lifesaving lockdowns, leaving it up to regional authorities to decide on limited measures.

This criminal inaction has led to the deaths of over 100,000 people in Spain as a result of the pandemic. Many of these lives would undoubtedly have been saved if the enormous sums handed to big business had instead been used to fund a scientifically informed programme of lockdowns and other vital public health measures.

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