Spain's PSOE-Podemos government approves anti-worker 2022 budget

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Spain's coalition government of the social-democratic Socialist Party (PSOE) and "left populist" Podemos has approved the outlines of its 2022 budget. The draft received the green light from the Cabinet last Thursday, and is going to the Congress for further debate.

Described in the Spanish media as "the largest public spending effort in Spain's history," it proposes €40 billion of investment. Around €27 billion of the planned financing is expected to come from the European Union's (EU) Next Generation EU and React-EU coronavirus bailouts.

Over 100,000 people have died of COVID-19 in Spain, hundreds of thousands have suffered long-lasting illness, and nearly 5 million have been infected—over 10 percent of the population. Millions of workers have had their livelihoods destroyed: 2020 saw record job losses and the largest fall in Spain's Gross Domestic Product (GDP) since the 1936-1939 Spanish Civil War.

Poverty has skyrocketed in Spain, severe material deprivation rates spiking from 4.7 percent in 2019 to 7 percent last year, according to a July National Statistics Institute (INE) survey. This means 3.3 million people face a severe lack of basic necessities like heating, nutritious food and a phone, INE reported.

"This budget was made so that the recovery will reach everyone and expand the middle class," Finance Minister María Jesús Montero claimed after last Thursday's Cabinet meeting. "We need to make progress and be in a better place than we were before," she said. "Six out of every 10 euros of this budget are earmarked for social policies."

Despite the rhetoric of the PSOE, Podemos and allied media, the budget will not resolve the rapidly worsening social crisis caused by the pandemic. The draft plan is a list of half-measures and empty promises, which will primarily benefit the financial aristocracy and affluent layers of the upper-middle class, while leaving millions of workers in a desperate situation.

Among the measures is a proposal to raise the salaries of civil servants by 2 percent. However, INE data show Spain's 12-month inflation rate hitting a 13-year high of 4 percent, meaning the proposed "raise" is in fact a pay cut. Private-sector workers will not even get this.

The budget also includes an agreement for a minimum corporate tax rate of 15 percent. The tax change will affect around 1,070 businesses in Spain (less than 1 percent of the total). While in theory, Spain's corporate tax rate is 25 percent, many companies pay far less thanks to tax deductions and exemptions. Speaking recently to the *Financial Times*, Finance Minister Montero admitted that many big businesses currently pay as little as 6 percent in tax, while many smaller companies pay 19 percent, adding, "you can't have this regressive fiscal engineering."

The budget's tax proposal is not introducing anything new. In reality, it brings Spain in line with an agreement by the financial chiefs of the G20 countries in July to impose a global minimum corporate tax of 15 percent, so as to prevent multinational companies shifting profits to low-tax havens. Many companies will continue to pay far less than Spain's nominal corporate tax rate.

The budget was held up by two weeks, allegedly due to disagreements between the PSOE and Podemos that were resolved after the coalition partners agreed to include the 15 percent tax floor, as well as a new housing law.

The budget's flagship measure is a proposed housing bill, which has variously been touted as a "controversial" or even "radical" plan. This is a fraud. The new law—which would introduce minor rent controls and provide minimal investment in social housing, all while giving tax handouts to landlords—could do next to nothing to ensure access to good quality, affordable housing in Spain.

Landlords would face a cap on the amount they can increase rent each year, but only if they own more than 10 properties, leaving many tenants with no protection against rising rental costs. Property owners with nine or fewer rental homes would meanwhile be offered tax breaks of up to 90 percent if they voluntarily decided to lower rents.

Taxes would also be increased by an unspecified amount on vacant properties, and property developers obliged to set aside 30 percent of public housing stocks for rent, rather than making them available for purchase at a reduced cost. With an estimated 1.5 million affordable rental homes for low-income households needed in Spain, this is vastly insufficient to meet the country's housing requirements.

A key measure in the housing bill is a proposal to give monthly grants of €250 to young people aged 18-34 who earn less than €23,725 per year, to help them move out of parental homes and cover rental costs. The monthly payment would be available for at most two years, with total financial aid limited to €6,000. There are almost 600,000 low-income tenants in that age bracket in Spain. Due to high costs of living and low wages, the average age at which Spanish people leave their family home is 30—nearly four years above the European average.

With the average pay for a young person in Spain just €970 a month, and monthly rental costs in major cities such as Barcelona averaging nearly €1,000, this meagre payment will still leave many young people unable to afford rent. Young people in Spain are one of the most precarious and exploited sections of the working class: the youth unemployment rate is around 33 percent, the highest in the euro zone. Meanwhile, half of employed Spanish youth are on temporary contracts; 26 percent have part-time contracts.

The main points of the draft housing legislation cannot legally be implemented by the national government, and would be implemented by regional authorities. The opposition People's Party (PP) has already refused to apply the law, dismissing it as "suicidal interventionism."

PP leader Pablo Casado said his party would challenge the legislation in the Constitutional Court, should it get parliamentary approval. The PP governs five of Spain's 17 regions (Andalusia, Madrid region, Galicia, Castilla y León and Murcia), as well as four major cities (including Madrid), meaning the legislation, if passed, would be neutered at birth.

It is far from guaranteed that the budget will be approved. The government together only holds 155 seats in the 350-member parliament, 20 short of the required majority. It relies on the support of regional parties such as the Republican Left of Catalonia (ERC), with 13 seats, the Basque Nationalist Party (PNV—six seats), the Basque separatist EH-Bildu (five seats) and the pro-independence Catalan European Democratic Party (PDeCat—four seats).

While these parties helped the PSOE-Podemos government pass its 2021 budget last December, the largest, the ERC has indicated that it may not vote in favour of the budget this year. ERC spokesperson Marta Vilalta stated on Monday that the ERC is "very far" from being able to support the budget, adding: "Just because the ERC enabled the approval of the budget last year, does not mean that we will do so again this year."

There is nothing progressive about this PSOE-Podemos austerity budget. The "left populist" Podemos is a pro-capitalist party whose record in government demonstrates that it will not do anything which could impede the flow of profits into the coffers of the banks and big business. Workers must break from the straitjacket of Podemos and its pseudo-left satellites as part of an independent struggle by workers and youth for socialism in Spain and internationally.