Spanish government bails out “bad bank” Sareb as workers’ living conditions plummet

Santiago Guillen, Alice Summers
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On Tuesday January 18, Spain’s Socialist Party (PSOE)-Podemos government approved a new law enabling it to take on a majority stake in the country’s “bad bank,” Sareb (Company for the Management of Assets Proceeding from the Restructuring of the Banking System). The move comes after the European Union (EU) ruled last year that Sareb’s €35 billion liabilities must be assumed by the state and considered “public debt.”

This is around 3 percent of Spain’s Gross Domestic Product (GDP), and almost double the roughly €19 billion Spain spent on unemployment assistance in 2019. As a result of the reclassification of Sareb’s debt, the country’s overall deficit increased to 10.97 percent of GDP in 2020.

Currently, the Spanish government’s bank restructuring fund FROB (Fondo de Reestructuración Ordenada Bancaria) holds a 45.9 percent stake in the bank, with the rest of the financial institution’s shares owned primarily by other banks, including CaixaBank (12.2 percent), Sabadell (6.6 percent) and Kutxabank (2.53 percent). Santander is the largest private shareholder, with a 22.2 percent stake.

Sareb was launched by the right-wing People’s Party (PP) government of Mariano Rajoy in 2012, in the wake of the 2008 global financial crisis. This was part of a broader financial restructuring plan imposed by the troika (European Union, International Monetary Fund and European Central Bank), in return for a €100 billion bailout.

Around €50 billion in risky loans and “toxic” real estate assets—about 100,000 residential and holiday complexes, individual homes and plots of lands—were transferred to Sareb from Spain’s other banks after the 2008 crisis. Alongside Spanish financial institutions, German, British and French investors also purchased 55 percent of Sareb’s capital, supposedly to prevent the crisis in Spain bringing down other European banks.

This financial sleight of hand enabled Spain’s government to hand billions of euros to the banks, all while maintaining Sareb as a private entity without direct administrative control by or accountability to the state. The €50 billion of loans would be underwritten by the Spanish government, leaving the taxpayer responsible for paying off the debt if Sareb defaulted. However, the government could keep its debts off its books and whitewash the budget deficit.

After the creation of Sareb, then-Spanish Economy Minister and current Vice President of the European Central Bank Luis de Guindos deceitfully declared that “this operation will never have any cost for citizens.” This lie has been thoroughly exposed by the recent socialisation of the bankrupt financial institution’s debts.

The nationalisation of the “bad bank,” which had a negative net worth of €10.5 billion by the end of 2020, is the culmination of the disastrous policies pursued since the 2008 crash. While the banks were protected from the fallout of their catastrophic speculative bonanza by the state, the working class has been forced to bear the cost of the crisis, with multi-billion-euro state bailouts paid for out of a massive programme of austerity.

Despite demands from the “left populist” Podemos party that the government turn Sareb into a “public utility” focussed on promoting social housing, not a single one of the “bad bank’s” assets has been used to alleviate the serious housing problem facing Spanish workers and youth. From 2007 to 2020, a staggering 1 million people were evicted in Spain, though there are more than 3.4 million empty homes across the country.

Workers’ conditions have steadily declined since

2008, with the rising cost of living significantly outpacing income gains. Between October 2007 and October 2021, inflation went up by 21.7 percent, according to Spain’s National Statistics Institute (INE). Meanwhile, the Spanish Tax Agency indicates that average salaries in the private sector rose by only 5.1 percent between 2007 and 2020, leading to a significant decline in purchasing power.

This has been exacerbated by increasing rental costs, which went up by approximately 20 percent between 2007 and 2020, according to Eurostat. In Spain’s major cities, the situation has been even worse, with rents rising 51 percent in Barcelona since 2014 and 45 percent in Madrid.

Young people have been hit particularly hard by the housing crisis. A young person in Spain would have to use 60 percent of their average income to rent a property or 90 percent to pay a mortgage. These percentages are double and triple the recommended maximum of 30 percent of income on housing. Many young people have therefore been unable to leave home, with only 14.9 percent of 16- to 29-year olds living independently of their parents in the first quarter of 2021, according to the Spanish Youth Council (CJE).

The average pre-tax monthly salary for a young person in Spain is a measly €1,207, while rental costs regularly exceed €900 a month in many of Spain’s major cities. Young people are among the most precarious of all workers in Spain, most often being on temporary contracts and suffering the highest rate of unemployment—currently around 31.1 percent, one of the highest in the Eurozone.

While the PSOE-Podemos government rhetorically pledged to tackle the housing crisis in their much-touted “housing bill” in last year’s budget, the measures they propose will do next to nothing to help young people and workers more broadly secure a decent standard of living.

A key measure in the housing bill is a proposal to give monthly grants or “youth vouchers” of €250 to young people ages 18-34 who earn less than €23,725 per year, to help them move out of parental homes and cover rental costs. According to data from the CJE, among those under 35, only 1.7 percent of the 2.8 million young people living independently and 0.7 percent of the 6.8 million who still live with their parents will be able to receive this aid, due to the numerous conditions that must be met in order to qualify for it.

The scope of the rental aid will be even more limited in large cities such as Madrid and Barcelona, with the highest rental prices, which far exceed the maximum rental costs of €900 a month which make a young person eligible for this grant. In Madrid, 71 percent of rents are above this figure and in Barcelona it is up to 82 percent. The CJE estimates that only about 70,000 young people will actually benefit from the “youth voucher” scheme.

Many of those who are eligible to receive the €250 payment will also likely see the benefit largely cancelled out, as landlords take advantage of the subsidy to increase rents. A similar measure applied in France meant that for every euro of grant money received, 78 cents went to the owner of the property while only 22 cents went to the tenant, largely due to rises in rental costs.

There is nothing progressive in any of the PSOE-Podemos government’s housing policies. No illusions can be placed in the “left populist” Podemos, 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. Putting the economy at the service of social need can only be achieved through a struggle for socialism, which requires the building of sections of the International Committee of the Fourth International in Spain, Europe and worldwide.