

Spain's capitalist parties all pledge austerity following July general election

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In the wake of its contested July 23 election, all of Spain's capitalist parties are planning a massive programme of European Union-directed austerity and social spending cuts.

Whatever government is eventually formed amid ongoing negotiations—whether led by the right-wing People's Party (PP) with the neo-Francoist Vox or the more likely social democratic Socialist Party (PSOE) with the pseudo-left electoral platform Sumar (which incorporates the PSOE's former coalition partner Podemos)—it will be pledged to waging war on the working class at home and abroad.

In May, the European Commission (EC) demanded that Spain reduce its deficit by at least 0.7 percentage points in 2024 and ensure that growth in public spending does not surpass 2.6 percent. This is equivalent to budget cuts of almost €10 billion.

Brussels has insisted that subsidies introduced in 2022 as energy prices soared—including reducing VAT on electricity and gas and providing income support to poorer households—be scaled back by the end of 2023 and completely scrapped in 2024. The withdrawal of these programmes, estimated to cost around 0.6 percent of GDP (roughly €8 billion), will lead to a massive increase in energy bills for most households, even as energy companies continue to make record profits.

From next year, the EC will reactivate its debt and deficit limits, which were suspended during the first years of the COVID-19 pandemic. Sanctions are applied if EU member states have a deficit exceeding 3 percent of GDP or public debt exceeding 60 percent. Spain's deficit is predicted to stand at roughly 4 percent by the end of 2023, while government debt is at an enormous 113.2 percent of GDP.

In total, this could mean cuts of between €20 and €30 billion next year if Spain is to meet the EU's spending

obligations. The next Spanish government will have to present their 2024 budget plan to the EU by the autumn.

What is being demanded is a massive programme of austerity which will see the decimation of public services and a steep decline in living conditions for Spanish workers.

The EU has already pointed to where some of the cuts should come from. In its 2023 Country Report, the EC raised “concerns” about Spain's public health expenditure, stating that “Public spending on health is projected to increase by 1.3 percentage points (pps) of GDP by 2070 (compared to 0.9 pps for the EU overall), raising long-term fiscal sustainability concerns.”

The attacks come as the cost-of-living crisis continues to have a crushing impact on the working class. At the start of July, the Bank of Spain reported that almost one in ten (9 percent) Spanish households could not cover their basic expenses of food, rent, bills and debt repayments in 2022 (the latest year for which figures are available)—equivalent to 1.7 million households. This compares to 7 percent in 2021.

Rising interest rates and inflation have also led to a 4.5 percent fall in purchasing power between 2020 and 2022, while average outstanding debt rose by 65 percent between December 2021 and April 2023, the Bank noted. According to Spain's National Institute of Statistics, 26 percent of its population were at risk of poverty or social exclusion in 2022, the fourth highest in the EU after Romania, Bulgaria and Greece.

No matter what coalition of parties comes to power in the wake of the inconclusive general election, or if a repeat vote in December or January is held, all will be committed to aligning the country's economy with the EU's calls for “fiscal sustainability” and “budgetary discipline”—i.e., large-scale cuts to social spending.

Already in April, the then PSOE-Podemos government of Pedro Sánchez pledged to the EU that it would reduce its deficit from the expected 3.9 percent of GDP at the end of this year to 3 percent in 2024, a year ahead of its previous schedule, and to 2.7 percent in 2025 and 2.5 percent in 2025. This is equivalent to a €24 billion reduction in the deficit by the end of next year.

While the PSOE-run Ministry of Finance claimed that the deficit reduction would be made “without applying cuts”, due to “Spain’s solid economic growth, above the average for the EU countries, and the dynamism of job creation”, its April spending document explicitly set out a plan for a 1.5 percentage point reduction in public expenditure by the end of 2024.

According to the PSOE-Podemos government plan, state spending would be cut from 47.8 percent of GDP in 2022 to 47.3 percent this year, a reduction of €6.6 billion. In 2024, this will be slashed again to 46.3 percent of GDP (a €13.3 billion decrease), to total roughly €20 billion in budget cuts between 2023 and 2024. Public spending would also be frozen at this level until 2026.

The remaining €4 billion needed to achieve the deficit reduction would come from temporary windfall taxes imposed by the PSOE-Podemos government last year, as banks and energy companies reported historic profits. Under this short-term policy, energy companies must pay a 1.2 percent tax on their sales and banks a 4.8 percent tax on net interest income and commissions above a threshold of €800 million.

Despite this small levy, Spain’s banking sector made record profits in the first half of this year, declaring €12.4 billion between January and June—20 percent more than the same period last year, largely due to rising interest rates. This comes after the six largest banks in Spain made record profits of €20 billion in 2022.

Right-wing PP and far-right Vox have called for scrapping wealth taxes and windfall taxes on energy companies and banks, and for lower taxes on small and medium businesses, as well as reducing public spending and clamping down on supposed social security fraud. Vox aims to implement the “biggest and deepest fiscal reform in recent history”, pledging to cut corporation tax from 25 percent to 15 percent.

A PSOE-Sumar coalition will be even more right-

wing than its predecessor, which implemented sweeping pension cuts that consolidated the retirement age to 67, imposed below-inflation wage rises on broad layers of workers in collaboration with the trade union bureaucracy, and pushed through a labour law reform slashing legal protections at work. It also provided billions of euros in bailouts to major banks and corporations.

Workers resisting these measures confronted police violence. Striking metalworkers in Cádiz and Pontevedra faced riot police and armoured cars, while striking truck drivers protesting rising fuel prices faced the largest police deployment in modern Spanish history, 23,000 cops. Against aircrew and healthcare workers, the PSOE-Podemos government has repeatedly imposed draconian minimum service laws to break strikes.

Abroad, the PSOE-Podemos government carried out huge military spending increases to contribute to NATO’s war against Russia in Ukraine.

Sumar would play no different a role to Podemos. Its austerity attacks would pave the way for the strengthening of Vox and the PP, which are just 5 seats short of a majority in parliament.

The most pressing task for the working class and youth in Spain is to secure their political and organisational independence from the PSOE and Sumar, and to prepare for mass struggles against austerity and war as part of an international struggle for socialism. This means founding a Socialist Equality Party in Spain as a section of the International Committee of the Fourth International.



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