

Spain: Shaken by crisis

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Barcelona is an extraordinary city. It is obviously memorable for its fantastic architecture, dominated by the impressive, quirky, imaginative and joyful creations of Antonio Gaudi and other architects of the "modernista" tradition of the early 20th century. It was home to some of the most interesting artistic innovators of the twentieth century – from the artists Picasso and Joan Miro to the musicians Isaac Albeniz and Enrique Granados. It has amazing food, in which the glories of being near to the sea are adequately reflected, and it is clear that in this city the manifold pleasures of eating and drinking are fully appreciated and indulged in.

The city has lovely avenues with charming walkways and other pedestrian spaces that make perambulation not just a pleasure but a sensory revelation. It has a culture that values the streets as points of social contact, exchange and intermingling - as testified by the large numbers of people who stroll along them without any apparent purpose than to enjoy it, from early evenings to the wee hours of the mornings all through summer. Most of all, though, Barcelona has spirit: the intense, passionate celebration of life that can be seen not only as the Catalan way of doing things but as a broader Spanish response to all sorts of adversity.

But even this remarkable spirit seems to have been shaken by the economic crisis that continues to fester and threatens the material security of the majority of Spaniards. The economic decline in Spain is now several years old, but what citizens are being offered is nothing like respite: only several more years of material pain with no clear horizon of improvement other than a vague hope that eventually global and European recovery (that currently are nowhere in sight) will cause Spanish economic conditions to improve as well.

This dark picture is being presented as the punishment for the years of excess – the period of debt-driven consumption and real estate spending that was then celebrated as the Spanish boom. And the austerity is seen to be the unpleasant but inevitable medicine that must be swallowed in order to ensure the recovery of the patient, a sick economy.

But of course, as elsewhere in Europe, this diagnosis is wrong. The crisis is essentially a banking crisis, created and driven by the behaviour of mobile capital that sought to increase its own profits and thereby generated the wrong incentives to result in bubbles and unsustainable patterns of growth. It is foolish to blame individual greed as the original sin: the process has been systemic, reflecting the now familiar patterns created by unregulated finance capitalism, which is yet to be reined in.

The broader economic stupidity of the arguments in favour of austerity is also now increasingly evident. In Spain in particular, the government was a model of fiscal rectitude during the boom, even running budget surpluses. The fiscal deficit ballooned to enormous proportions because of the need to rescue the large Spanish banks that were on the verge of collapse. As the government took over the bad debts of these banks, what was the result of private capital's irresponsibility became the problem of taxpayers and citizens, who have been forced to endure repeated and

severe expenditure cuts that reduce public employment and wages, and increasingly deny the rights and public services they had come to take for granted.

It is painfully obvious that this strategy is simply not working: not in Greece and Ireland, not in Spain and Portugal, not in Italy. As governments reduce their spending and increase taxes on ordinary people they add to the recessionary forces, which makes GDP stagnate or fall, and thereby adds to the debt burden. This makes the markets take fright as the indicators look even worse than before. And then private banks become less viable as more of their debtors cannot repay their loans. And then the government is forced to step in to rescue them. The latest in this round was the state takeover of Bankia, itself a hastily created conglomeration of small housing banks in trouble. This then required the Spanish government to apply for more funds from Europe simply to keep Bankia going.

This lock-step "death dance" of public finances and the banking sector can only end in tragedy. Clearly, the more sensible thing to do is to grow out of the imbalances. But the peculiarities of the eurozone mean that this cannot be achieved by one country alone – it must be agreed to by all (and especially the major players, in this case Germany in particular). And the surplus nations within Europe must agree to provide resources and stimulus for growth in the deficit nations, much as the US Marshall Plan did for Europe in the period just after the Second World War. Yet a moment that cries out for European solidarity (in everyone's interests) is being met by a reversion to nationalist chauvinism, fed by media that constantly portray stereotypical but wrong versions of the European economic reality.

So resolution of the crisis seems unlikely anytime soon – and it is not clear whether markets will wait much longer. Already there has been not a bank run, but more like a "jog" out of banking deposits in the crisis-hit countries, and without clear strategies for recovery and growth this will continue and intensify until one country or the other is forced out of the currency union. European leaders have reacted with a combination of denial, delay and dismay as their half-hearted strategies peter out over successive months and weeks. The much-vaunted European Summit of June 27 was originally thought to have produced some results, in terms of moving towards some sort of banking union and allowing the ECB to finance banks directly instead of going through governments. But as the fine print gets perused, it is evident that little has really changed in terms of Europe's policies in the coming year.

And meanwhile the social costs of this crisis are being borne as usual by those who did not really benefit from the previous boom. The biggest and saddest aspect is that of open unemployment – which has now hit nearly a quarter of the labour force in Spain. Among the youth under 25 years, 52 per cent – or every other young Spaniard – is unemployed. (It is true that this includes those who are in education, and so the real proportion is probably lower. But since those in higher education also have significantly reduced prospects of finding employment when they graduate, this too is a big problem.) In Barcelona the sight of young people simply hanging about on the streets all day alone or in groups is common. And what is more frightening is that there is little hope in the future, so the temporary sense of frustration and alienation that comes from joblessness is compounded by bleak despondency and despair.

Petty thefts are on the increase – almost everyone has a story to relate of an incident with themselves or someone they know, and visitors are warned to take all sorts of precautions and be constantly on their guard. In some cities – and along major highways – street lights are being turned off to save money, leading to not just inconvenience but greater physical insecurity for people. Government-run schools have no money and are being forced to cut back on even essentials – so, for example, parents have to carry rolls of toilet paper for their children to use at school.

There are other social patterns emerging, with longer term implications. Fertility rates have fallen from 1.46 in 2008 to around 1.38 in 2011 – a remarkable fall in such a short period, indicating the extent to which the economic bleeding has had direct social effects.

The "Indignado" (indignant) movement is now more than a year old. Its expressions may be less open and violent than before, but people are still seething, and it may be that the anger will take more political forms (as it did in Greece with the emergence of Syriza) than fruitless expressions of rage on city streets. The future is uncertain, but it may not be all gloom and doom if the public outrage does translate into politics that is directed towards changing the economic strategy in fundamental ways.

The blazing victory of the Spanish football team at the Euro Cup final on July 1 was a welcome reminder that a team playing with exuberance, artistry and great teamwork can be a joy to watch and also emerge victorious. If only the European economy – and the politics that is driving it today – were more like football!

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