

Can Spain afford the economic programme of Podemos?

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The anti-establishment leftist party Podemos ('We Can') – established almost a year ago and which, according to a poll, would be the second most voted party if an election were to be held today – has unveiled its economic plan that is long on spending ideas and short on how to finance them.



The 68-page manifesto, which will serve as a basis for Podemos' election programme next year, softens some of the party's more radical ideas contained in its programme for last May's European elections, such as a guaranteed basic income for the needy and retirement at 60, but sets out a battery of measures that, in the opinion of its opponents, would turn Spain into a Venezuela-style basket-case but without the advantage of having oil.

Podemos, led by media-savvy political scientists, in particular its leader Pablo Iglesias, and born out of the movement of *los indignados* ('the indignant ones') in 2011, is now pitching itself as a Nordic-style social-democratic party. It is competing directly with the Socialists whom it accuses of being part of the 'caste' that has impoverished Spain and which bowed to the demands of the Troika when the crisis erupted during their watch in 2008.

The authors of the report,¹ the Spanish political scientist Vincenç Navarro and the economist Juan Torres, are highly critical of 'neo-liberal globalisation' and a 'badly designed' euro zone, which they say is dominated by Germany and has aggravated Spain's crisis.

The proposals for a country with a **jobless rate of 23.6%** read like a Christmas wish list to the Three Kings (the Three Wise Men who are Spain's counterpart to Father Christmas). They include:

- Credit should be enshrined in the constitution as an 'essential public service', state banks created and an undefined 'citizens' bank of public interest' established.
- Pensions, wages, public and private investment and welfare spending should be increased. Podemos calls for the elimination of the Popular Party's 2013 pension reforms, designed to make the untenable system more sustainable. The reforms severely restrict index-linking of pension pay-outs and are gradually raising the retirement age to 67 from 65. Podemos says the retirement age should remain at 65.
- A limit on the maximum gap between average salaries and the top ones (currently 127 times higher).

¹ The full programme in Spanish is available at http://estaticos.elperiodico.com/resources/pdf/7/8/1417174096987.pdf?_ga=1.48315814.141551448.1415180559.

- Abolition of the Popular Party's 2012 labour market reforms, which reduced the cost of shedding workers on permanent contracts and enable companies to opt out of sector-wide collective bargaining agreements in certain circumstances.
- Debt relief, particularly for those struggling to pay mortgages. On the question of Spain's still very high sovereign debt load (almost 100% of GDP), Podemos says 'the only way out of this vicious circle is the restructuring, as orderly as possible, of European and Spanish debt. The question is not if this is desirable or not but under what conditions it takes place'.
- The European Central Bank should be reformed and full employment added to its core objectives.

The document says little about where the extra revenue would come from to finance the ambitious spending plans other than taxing the rich more and cracking down on tax evasion and fraud.

The programme would require the European Central Bank to assume a central role in helping Spain, particularly in granting more credit, which would only happen in the extremely unlikely event that there was authorisation to do so by all euro countries. Furthermore, the report's authors admit that 'it is materially impossible for these policies to be carried out [...] in the framework of the euro as it is designed'.

The only way to fulfil the programme would be for Spain to leave the euro, something that the majority of Spaniards do not want, according to the latest **Eurobarometer** carried out in October. Almost three quarters of respondents in Spain said the euro is a good thing for the EU, the largest proportion among the four biggest economies.

A Spain that returned to its own currency and artificially stimulated domestic demand through spending it could not afford –by printing money or borrowing abroad (in these conditions who would want to lend to Spain?) as not only the very rich would vote with their feet– would be very vulnerable to head winds in the global economy, from which it would not be isolated.

Moreover, higher social security contributions, a reduced working week and higher salaries, as proposed, would hardly encourage the private sector to create jobs and invest. Indeed, unemployment and inflation would rise and productivity suffer.

The authors are right to say that Spain cannot return to its previous unsustainable economic model, excessively based on the real estate and construction sectors, massive indebtedness and the predominance of the financial sector, among other factors. Yet they offer little more than vague ideas about Spain's future direction, other than proposals of good intentions such as the need to 'construct more satisfactory and efficient productive models and economic relations based on respect for the life of people and nature and more concerned for general wellbeing than personal profit that excludes and kills millions of human beings'.

There is no doubt that Podemos has tapped into a deep vein of discontent and anger with the political class, which has been discredited by the wave of corruption scandals. Almost two-thirds of respondents (63.8%) in the **latest barometer conducted by the government-funded CIS** said corruption and fraud were Spain's main problem, the second main concern after unemployment (77%).

Opinion polls in recent months show that far from being a temporary phenomenon, Podemos will be a force to be reckoned with in the next general election due to be held by next December. However, it is beginning to lose momentum, **according to the Metroscopia poll published in *El País* on 7 December** which put it in second place, after the Socialists, with 25.0% of the vote (27.7% in November when it was the most voted party).

Podemos would appear to have reached a ceiling; this could well be because it is having to spell out its policies and propose solutions and not just diagnose Spain's problems which has a zero political cost.

It is now up to the Popular Party and the Socialists to convince the electorate that they have renovated themselves in order to recover their credibility. If they do not, their attempts to counter Podemos' unrealistic reforms and convince voters that the party's road map would bring ruin not prosperity will sound hollow.