

Spanish government outlines most severe budget cuts since fascist dictatorship

By Alejandro López
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The draft state budget for 2012 unveiled Tuesday in Congress represents a new stage in the social counterrevolution led by the right-wing Popular Party (PP) on behalf of the financial oligarchy.

“First the deficit, second the deficit, and third the deficit,” said Finance Minister Cristóbal Montoro.

The budget projects that interest payments on debts will exceed the spending on public sector wages. With Spain’s debt expected to climb to nearly 80 percent of GDP from 68.5 percent last year, government spending is expected to rise 5.3 percent, to €28 billion.

As announced last Friday, the budget contains a €27 billion package of cuts in order to reduce the budget deficit from 8.5 percent of GDP to 5.3 percent. The finance ministry described the budget as “extraordinary in terms of the reduction in public spending and increase in revenues as a result of the extraordinary situation Spain is going through.”

Education spending is reduced by €2.2 billion, 22 percent less than in 2011. This means 36.5 percent less will be available for pre-school and primary education and 28 percent less for secondary education. University education is to be cut by a massive 62.5 percent.

Some €1.2 billion will be cut from spending on programmes helping people find work and health care by €3.9 billion. Culture is proportionally worst off, with nearly €937 million less. Spending on infrastructure will be reduced by 22 percent, while outlays on civil research and development are projected to shrink by 25 percent.

These reductions only apply to the central government’s budget “adjustments”. They do not include those from the regional and local governments, which have been instructed to make cuts of around €14 billion to €17 billion. These will also have a major impact on workers’ lives, particularly as they are

responsible for the most part of health care and education services.

As a token gesture, the royal family will have its finance reduced by 2 percent, in what was cynically described as an example of “sacrifice from all.”

One of the few government departments to escape the cuts was the Superior Sports Council, whose budget was increased 13.6 percent to €192.7 million. Sport has historically played an important role as a distraction from social problems, a new “opiate” of the masses; an example can be found in the total amount owed by football clubs to the tax office: €752 million.

The government has already increased its revenues through sharp rises in electricity, gas and tobacco prices. It claims that it will also be able to raise finance by increasing corporate tax receipts and introducing an amnesty for tax evaders, who will be allowed to repatriate capital from abroad and will only have to pay 10 percent tax on the money. This is a bargain for sectors of the bourgeoisie, especially when taking into account that the highest tax rate in Spain is 43 percent.

At the news conference after the presentation in Congress, Montoro cynically described the budget as “neutral for economic growth”. This is a lie. The Spanish economy is plunging into the same vicious spiral experienced in Greece, where cuts and tax rises reduce revenues, followed by demands of further spending cuts and tax rises. Spain has now entered its second recession since 2009.

Prime Minister Mariano Rajoy acknowledged in reference to the budget that “no one likes it” but claimed that “the alternative is infinitely worse.” For the second time this week, Rajoy sought to intimidate the population with the prospect of Spain having to seek an international bailout.

The budget represents the most extreme cuts since the

death of fascist dictator General Francisco Franco. Nonetheless, the international finance markets are nervous as to whether Spain's ruling elite will be able to push them through in the teeth of popular opposition. On Thursday, millions of workers and youth struck and protested in a mass show of defiance against the government's policies.

On Wednesday, Spain's borrowing costs increased sharply after an auction of medium-term government bonds came in at just €2.59 billion (US\$3.4 billion)—well below the €3.5 billion target.

The average yield on the bonds due in October 2016, which acts as the five-year benchmark, rose to 4.319 percent from 3.376 percent at last month's sale. Secondary-market yields rose to 4.48 percent.

Spain's 10-year borrowing costs are approaching the levels of last December, before the European Central Bank (ECB) auctioned €1 trillion of cheap money, which was recycled by Spanish and European banks into high-yielding government debt.

Before the auction, an unnamed member of the government executive told *El País* "...let's not deceive ourselves, we are holding on thanks to the artificial respiration of the open-bar-liquidity of the European Central Bank. If it wasn't for that, this explodes."

Socially, Spain is already a tinderbox. The budget was unveiled as figures were released showing that unemployment increased in March by nearly 40,000, reaching more than 4.75 million or 23.6 percent of the working population—the highest in the European Union. More than 50 percent of youth aged 25 and under are now out of work, and a similar percentage of those aged 45 and above. It is estimated that nearly 500,000 families will be evicted from their homes this year because they are unable to make payments.

In a pathetic attempt to pose as an opposition to these measures, Cayo Lara, head of the Izquierda Unida (United Left—IU) said his group would vote against the budget because this "brutal cut in the public accounts" will mean "the suffering of many people".

In fact, the IU votes are not necessary as the ruling PP has an absolute majority. More importantly, the IU accepts the need for cuts, simply proposing that they fall differently. Lara suggested removing subsidies paid to parties if they have not met the "requirements of transparency required by the Court of Auditors."

Even more cynical was the response of the Spanish

Socialist Workers' Party (PSOE), which only five months ago governed Spain and imposed its own €15 billion austerity package, labour reforms and cuts in civil servants' pay.

The PSOE says it will present amendments to the budget. The PSOE secretary for institutional relations and regional policy, Antonio Hernando, complained, "This is not [the budget] Spain needs to generate wealth, create employment and to get out of the crisis".

Significantly, the pseudo-left groups—Izquierda Anticapitalista, En Lucha, Clase Contra Clase and El Militante—have so far not issued a single statement on the austerity measures since they were first presented on Friday. Having claimed that all that was required was to pressure the PP into retreat through one-day strikes and token protests, they are silent.

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