Spanish bank bailout paves way for new attacks on working class

By Alex Lantier
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On Monday night euro zone finance ministers approved a €39.5 billion (US$51 billion) bailout that Spanish officials requested for Spain's banking sector.

The bailout includes €37 billion earmarked for four banks already functioning with Spanish state support: Bankia, Catalunya Caixa, Novagalicia, and Valencia Bank. It imposed devastating terms on these banks. They must cut the size of their business by 60 percent, close 50 percent of their branches, stop real estate lending, and focus on retail and small-business loans. Bankia alone announced plans to slash 6,000 jobs.

The remaining €2.5 billion will be deposited in a "bad bank," which has acquired many of the bad loans produced by the collapse of Spain's real estate market.

While it ostensibly aims to stabilize the financial system, the bailout will principally slash jobs, further undermining Spain's sinking economy and state finances. Michael Hewson of CMC Markets said, "With the aid being conditional on sweeping job cuts…the effects are likely to be felt across the entire Spanish economy, which is already seeing tax revenues shrink sharply."

Financial commentators see the bank bailout as a likely prelude to a bailout of the Spanish state itself, to stabilize state finances and intensify pressure for cuts in social spending and public sector wages in Spain like those imposed in Greece. On Wednesday, the *Wall Street Journal* cited discussions with an anonymous high-level Spanish official who confirmed that Madrid wanted to ask for a state bailout. As of this writing, however, no such bailout has been agreed.

The European Union (EU) and the European Central Bank (ECB) refused to guarantee that they would buy enough debt to keep Spanish interest rates from surging and bankrupting Madrid. The "risk premium"—how far the Spanish government's 10-year interest rates stand above the rate for the German government—rose to 600 basis points (6 percent) this summer. It dropped to 4 percent after ECB President Mario Draghi pledged that the ECB would buy EU state debts.

The official told the *Journal,* "The Spanish government has these doubts, and is wondering what to do next. If they guarantee the risk premium would be kept 200 basis points [2 percent] lower, it would ask for a bailout tomorrow…For us, this option is preferable to having to implement huge cuts because we can't refinance next year." He added that the German government had told Madrid that it does not want Spain to ask for a bailout now.

These bailouts highlight the failure of the austerity policies which the European Union (EU) has imposed in Spain and throughout Europe in defiance of public opinion. Since the outbreak of the 2008 economic crisis, the Spanish government has made €150 billion in social cuts. These cuts have not stabilized the financial system, above all because they are ruining broad masses of the population.

As the French daily *Le Monde* was forced to note, "Analysts say that this austerity treatment only further delays the country's economic recovery."

With its austerity measures, Madrid seeks to cut its debts and re-establish its global competitiveness at workers' expense, by cutting labor costs without touching the financial elite's wealth. By some accounts, the collapse of wages and labor costs has boosted Spanish capital's global competitiveness, with Spanish exports recovering 22 percent since the 2009 collapse. However, the Spanish economy is projected to contract by 1.7 percent this year, as growth in exports fails to counterbalance the collapse of domestic markets.

In November, 74,296 more workers lost their jobs, bringing the total number of jobless in Spain to 4.91 million—well over one quarter of the work force. A staggering 52 percent of young workers under 25 were jobless, and in over 1.7 million households everyone is unemployed.

Spain's service sector contracted in November for the 17th straight month, shedding 63,166 jobs, as consumer spending collapsed for 28 straight months under successive waves of social cuts. The Purchasing Managers' Index (PMI) for Spanish service firms was 42.4 in November and 41.2 in October, both well below the 50 threshold marking growth. Goods transport and storage companies, as well as postal and telecommunications firms, were badly hit.

Madrid received the bank bailout largely because the EU trusts that the conservative Popular Party (PP) government of Spanish Prime Minister Mariano Rajoy will continue his austerity measures. The banks also fear the consequences of encouraging speculation against Spain's public debt, which stands at over €800 billion, and whose failure would bankrupt major international banks.

The PP has pledged a further €90 billion in budget cuts in the next two years. This sets the stage for explosive confrontations with the working class, as social protests are rising, and 2012 has already seen mass student protests and a strike by Asturian miners. Madrid is pumping millions of euros into equipping riot police. (See also: Spanish government prepares repressive measures against social opposition)

Rajoy is manifestly hoping that the union bureaucracy and Spain's petty-bourgeois "left" parties will continue blocking a united struggle of the working class against the cuts. These forces divide and isolate struggles so workers can be worn down and repressed piecemeal They also wage a constant ideological offensive against any effort by the working class to organize itself to take power and overthrow the capitalist class.

Rajoy is also counting on the absence of a visible political alternative to discourage opposition, with the social-democratic Spanish Socialist Workers Party (PSOE) largely discredited by the austerity policies it pursued before Rajoy's election in November 2011.

However, in a noteworthy article titled "The Street Awakens" published on November 30, the social-democratic *El País* issued daily s of the explosive tensions caused by the policies of the PP and PSOE and similar parties throughout Europe. It predicted explosive social struggles and political instability, in which new political parties and social forces would benefit from the discrediting of the existing political establishment.

Citing sociologist José Tezanos, *El País* reported: "'We are going towards an epoch of great conflicts and loss of influence by the political parties,' he warns. 'Western society must realize that stability is no longer guaranteed,' he added, warning that parties must face this situation or 'we will face unviable societies, in which discontent is difficult to channel,' which leaves open the door to the rise of extremist or populist movements. If the government treats it as a problem of public order, the current pacific movement could become violent."