

THE DECLINE OF SPANISH SOCIAL DEMOCRACY 1982-1996

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At the beginning of the 1980s when social-democratic parties in northern and central Europe were considered to be in decline, the southern European Socialist parties flourished politically. One of them, the Spanish Socialist Party (**Partido Socialista Obrero Español**, or PSOE), was re-elected four times (three of them by majorities), a record for political longevity among European Socialist parties. Only the Swedish social-democratic party had lasted more than 14 years in government. As a result of its electoral success, the influence of the PSOE among the parties belonging to the Socialist International grew substantially. The centre of gravity of social-democracy in Europe shifted, then, from the north to the south during the 1980s, with the electoral victories of social-democratic parties in Spain, France, Greece, Italy (in coalition with **Christian-Democratic** and other parties), and Portugal. Among these parties, the one with the largest electoral support was the PSOE, whose average electoral support during the 1980s was an impressive 44%.¹

The PSOE's electoral success was attributed to its breaking with traditional social-democratic policies such as state intervention in economic development and a preferential relationship with the trade unions. This became a new **strategic** point of reference for other social-democratic parties in Europe. Felipe Gonzalez was asked to preside over a committee of the Socialist International to revise the principles of socialism for the 21st century. The PSOE deliberately and explicitly de-emphasized state intervention to resolve some of the serious economic problems inherited from the **Franco** regime, and its relationship with the trade unions became extremely adversarial with four major general strikes, an unprecedented number for a Socialist government. According to Carlos Solchaga, Minister of Economy in the second Socialist government, 'the trade unions should not have any privileged relationship with the Socialist government. They should be treated like any other interest group, such as the College of Physicians, for **example**.'² And Ludolfo Paramio, director of the PSOE's

foremost intellectual institution, the Pablo Iglesias Institute, and member of the party's Executive Committee, wrote that 'a socialist party should downgrade the trade unions to the same level as any other interest group, such as professional colleges or philatelic societies.'³ The Deputy Prime Minister in the Socialist government, **Narcis Serra**, declared that the social constituency of the government and of the PSOE was the middle class, that the working class was a disappearing class, and that the U.S. Democratic Party was a middle-class party worth emulating.⁴ While these views were resented by the grassroots of the PSOE, they were widely accepted among large sectors of the leadership.

The Spanish Socialist government also became a major point of reference in another debate, the political transition from dictatorship to democracy that was occurring in eastern and southern Europe and in many countries of Latin America. According to Bresser, Maravall and **Przeworski**, the most successful transitions have occurred in those countries, like Spain, where the government has liberalized the economy, diminished the role of a strong and too embracing state, and facilitated the full growth of constrained market forces while developing a safety net to take care of those social groups most affected by these economic changes.⁵ According to Jose Maria Maravall (a leading theorist of the PSOE), the Socialist government in Spain inherited an excessively interventionist state that was constraining the economic growth and competitiveness of the Spanish economy. The government therefore had to modernize the Spanish economy by diminishing the role of the state, allowing market forces to develop more fully. This modernization (and the human costs of its accompanying unemployment and dislocation) was tolerated by the Spanish electorate because of the growth in the social network that took care of marginalized sectors.⁶ Thus, a foremost characteristic of the Spanish Socialist government, until recently quite atypical for social-democratic practices, has been its reduction of the economic role of the state. Although many social-democratic governments have incorporated into their policies a whole array of monetarist and liberal policies, none has done so to the same degree as the PSOE administration. **As Wolfgang Merkel** concludes in his detailed survey of social-democratic governments, state intervention in the economy fell under the PSOE government to a level unknown in other European social democracies.⁷

The purpose of this essay is to explain the continuities and changes that occurred during the **1982-1996** period when the PSOE was in government, and to analyze why the successive Socialist governments chose certain public policies over others. The article also analyzes the reasons for the subsequent electoral decline of the PSOE that culminated in their defeat in **1996**. Against what prominent interpretations of social democracy like that of Przeworski and Sprague⁸ would lead us to expect, we show that the

primary reason for the decline of the PSOE government in particular and of Spanish social-democracy's fortunes in general was the adoption of public policies that conflicted with the interests of large constituencies of their electorate, including both the working and middle classes.

The Historical and Political Context

One of the most unexpected developments in recent Spanish history was the fast electoral growth of the PSOE after the establishment of democracy. The PSOE had played only a minor role during the anti-fascist struggle led primarily by the Communist Party (PCE). Mistakes made by leaders of the PCE during the democratic transition (in which the PCE had a moderating effect, lowering the level of popular expectations), together with the historical memory of the Spanish population (the PSOE had traditionally been the party of the working class) explains this sudden upsurge in the PSOE's popularity. By 1977, in the first election following **Francó's** death, the PSOE already received 29.3% of the electoral vote while the PCE received only 9.4%.⁹ In 1979 the PSOE obtained 30.5% of the electoral vote, the PCE 10.8%.

The overwhelming victory of the PSOE in 1982, when it received the support of 48.4% of the electorate, had several causes. One was the collapse of the Right due to the enormous tensions among the various factions of reformists known in Spain as the 'post-Francoist' forces. They had coalesced around Adolfo Suárez, the founder of the right-wing UCD, wherein Christian Democrats, liberals, and fascist sympathizers established an alliance with the primary purpose of stopping the Left, in particular the PCE. It was principally the disagreements within the UCD around the divorce law, together with the delegation of authority to the Catalan and Basque regions, which led to the coalition's collapse. It obtained less than 3% of the overall vote. In addition to receiving the votes of the disenchanted supporters of the UCD, the PSOE benefited from the participation in 1982 of first-time, young voters (overall participation jumped from 67% in 1979 to 80% in 1982) who voted massively for change, which they identified with the **PSOE**.¹⁰

The most important reason for the PSOE's success, however, lay in its having become the electoral beneficiary of working-class resentment against attempts to clamp down on labour militancy that had been so important to effecting the transition to democracy in the first place. Spanish labour in the mid-1970s was the most militant in Europe, with the largest number of strikes and mobilizations on the continent, forcing the transition from dictatorship to democracy. From 1975 to 1977, 7,514,000 workers, representing 88% of all salaried workers, participated in the strikes." The employers were clearly on the defensive, fearful of the underlying

challenge to the social order. Wages increased at a much higher rate than productivity during the 1975-1977 period, with declines in the rate of profit, in investments, and in the rate of job **production**.¹² Labour militancy also resulted in a series of legislative interventions granting the right to strike in 1975, the prohibition of dismissals without cause and **indemnization** (granting 60 days pay for every year of service) in 1976, and the right to establish unions and political parties, including the Communist Party (PCE), in 1977.

After the transition to democracy, increasing labour costs combined with a reduction in productivity and investments, a high inflation rate, and the beginning of job destruction pushed the new political establishment in search of a new social accord which could respond to these deteriorating conditions. Accordingly, the Moncloa Pacts (1977) were aimed at lowering labour costs while increasing job-creation in the private and public sectors. Although labour stood by its commitments to wage restraint, the employers and the right-wing government did not. In addition, a whole series of laws were passed to permit new types of contracts (for new entries into the labour market). These laws allowed short-term contracts – referred to by the unions as 'contratos basura' ('shit contracts') – which offered very little social protection and a salary level that was on average 40% that of permanent jobs. They also made the process of dismissal rather easier by reducing compensation from 60 to 45 days of pay per year of service for employees at enterprises of 25 or more workers and half that compensation for employees at enterprises of less than 25 workers (83% of all workplaces in the private sector). Also, workers' dismissals could be resolved on a case-by-case basis by new government appointed agencies rather than through the court system, the former being far more amenable to grant cause for dismissal than the courts. Despite workers' rebellions and mobilizations against these laws (according to official figures, 2.5 million workers participated in these strikes), they were finally codified in the Estatuto del Trabajador and affirmed by the Spanish Parliament in 1980.¹³ As a consequence, unemployment tripled from 5.32% in 1977 to 16.45% in 1982, while wages and salaries declined. It is this labour situation that especially explains the enormous support among the working class for the PSOE, whose programme called for a massive job creation with expansionist policies that included increases in public and social expenditure to expand the welfare state: 85% of the working-class vote went to the PSOE in 1982. The PSOE discourse – a discourse of class struggle – was more radical than that of the PCE which, besides being involved in a fratricidal struggle among its various factions, was the strongest voice in support of the Moncloa Pacts, while the PSOE kept a certain **distance**.¹⁴ The radical discourse of the PSOE and very much in particular of the Secretary General of the PSOE, Felipe Gonzalez,

contrasted with the moderate tone adopted by Santiago Camllo, the Secretary General of the Communist Party. **As** a consequence of these factors, the Communist Party received **only** 4.1% of the overall vote, and only 12% of the working-class vote.

At the time the PSOE won the 1982 elections, the Spanish situation was characterized by the following features:

1) An economy in great disarray, with a negative rate of growth (-1.2% per year), a high unemployment rate (**16.2%**, more than double the **OECD-Europe average¹⁵**), and a high rate of inflation (14% per annum, above the OECD-Europe average).

2) An underdeveloped state with a public employment rate (4% of total employment) much lower than the OECD-Europe average (**9%**), and a public expenditure rate much lower than the OECD-Europe average, with **only** half of the employed population paying taxes. The **state**, besides being underdeveloped, was highly centralized due to its Jacobin inheritance from the Bonapartist state (when Napoleon ruled Spain) strengthened by 40 years of fascism that borrowed heavily from the Italian fascist state. For example, the Instituto **Nacional** de Industria (the National Institute of Industry, or INI), established in 1945, was modelled after its Italian equivalent whose role was to direct the industrial development of the **country**.¹⁶

3) A state that was not only underdeveloped and centralized but **highly** unpopular because of its repressive nature and its limited social sensibility. In 1975, social public expenditures represented only 9.9% of the GDP, much lower than the European Community's average of 24%. Another element (left unchanged by all democratic governments, including the social-democratic ones) was the composition of the civil service. All civil servants – from judges to university professors – had to sign an oath of loyalty to the fascist regime during the **1950s, 1960s, and 1970s**, representing a core of resistance to change in the public administration.

4) An underdeveloped economic infrastructure that was ill-prepared to integrate into the developing European economy, given the state's heavy subsidization of unprofitable sectors. These **subsidies** were justified in the name of avoiding unemployment but were not used to promote restructuring within economic sectors.

5) **The** most regressive taxation system, with the largest amount of fiscal fraud, in Western Europe.

When the Socialists won the elections in 1982, it was widely expected that they would make the state a key element in economic transformation, following a radical expansionist programme similar to that of the Mitterrand government in France elected in 1981. The Spanish Socialist government, however, chose **not** to follow this strategy, quickly adopting the conventional wisdom that Mitterrand's U-turn was inevitable." The PSOE government also embraced the conventional view that the defeat of

the British Labour Party in 1979 and 1983 was due to its dependency on the trade unions. These interpretations reflected the thinking of the economic team within the Socialist government. Most of these professionals were functionaries of the Ministries of Economy and Public Finance who have traditionally been very closely connected with the Bank of Spain.¹⁸ They had been chosen on the basis of their proximity to the financial sector in order to reassure that sector and promote its further development. Accordingly, most members of the first Socialist government in Spain (and in particular the Cabinet members responsible for economic policy making) did not have a close relationship with the trade unions. The distancing from the unions and the working class – a distance that bordered on contempt in many cases¹⁹ – may in part be explained by the petit bourgeois origins of much of the leadership of the Spanish Socialist government, educated for the most part in some of Spain's most exclusive private schools within a very class-conscious society. Sixty-eight percent of the members of the Socialist government went to private schools and the majority of them send their children to private schools. These percentages are even higher among the members of the economic teams of the successive Socialist governments.²⁰

But beyond these kind of factors, it must be said that an additional determinant of the PSOE's trajectory was the unpopularity of the state, for the reasons mentioned above. Making the state sector the motor of the economic modernization would have required a significant transformation of most of the central administration. This would have resulted in major confrontation with the corporatist interests embedded in the bureaucracy – a group that the Socialist government had no intention of antagonizing despite their well-deserved reputation as rigid, user un-friendly, and inefficient. No major reforms were introduced to the central public administration, a contributing factor to this having been the large percentage (38%) of members of the Spanish Parliament who were functionaries themselves. The major changes in the apparatuses of the state took place in the autonomous regions and in the municipalities.²¹

These factors help to explain why the PSOE government did not entertain the possibility of an alternative strategy in which the state would play a key role in the nation's modernization by means of a public industrial sector which could stimulate overall industrial development and generate employment. Instead, the government forced the state into a subsidiary and minimal role.

The Policies of the PSOE Governments, 1982-1996

Privatization

The Socialist governments considered the country's experience with public

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enterprise to be particularly negative. Most public enterprises were part of the INI, which had accumulated an enormous deficit during the fascist period and until the transition to democracy. Its primary function was to absorb the sectors in crisis, such as steel and shipbuilding, in order to avoid further unemployment. Its production structures were obsolete, unproductive, and over-staffed. It was not entirely surprising, therefore, that the Socialist governments did not favour any further nationalizations or an expansion of the public sector. But their success in reducing the size of the public sector by privatizing large public industries even extended to profitable public enterprises such as **SKF Española**, Enturba and others. The only exception was the nationalization of the financial group Rumasa whose imminent **collapse** would have had a disastrous impact on the Spanish economy. Once made profitable, however, Rumasa was privatized again. Otherwise, the number of employees in public enterprises declined, from 4.9% of all employment in 1981 to 4.6% in 1985, due to the reduction of the number of **public** enterprises and of employees per enterprise.

Complementing these privatizations, the Spanish Socialist governments considerably reduced subsidies to the public enterprises, from 3.7% of GNP in 1984 to a low of 0.7% in 1987, with the explicit objective of introducing entrepreneurship and systems of evaluation associated with the private sector to public enterprises, thereby reducing the role of the state to a bare minimum. The primary concern of these economic policies was to increase the competitiveness of the public sector, not to create jobs. This explains why several authors have defined these policies as **Thatcherite**.²² This characterization, however, is inaccurate. The PSOE government, while carrying out policies that increased unemployment, expanded public funds for unemployment insurance from 2.59% of GNP in 1982 to 2.85% in 1985, whereas the Thatcher government reduced such payments from 1.7% of GNP in 1980 to 1.0% in 1990 (almost halving them in ten years). Also, the privatization of public enterprises in Spain was accompanied by provisions for gradual dismissal and generous compensation, and with credit and fiscal policies aimed at stimulating private investments in affected areas to create **employment**.²³

These policies, however, were insufficient to reverse the growing unemployment. A major contributor to job destruction was the Reconversion and Reindustrialization Act of 1983, which besides reducing public employment stimulated the competitiveness of the private sector by reducing private employment as well. Spanish enterprises became more lean and mean; consequently, 70,500 jobs were eliminated in steel, coal, shipbuilding, and textiles (the sectors experiencing the greatest crisis) during the **1982-1985** period. These government policies were complemented by others which facilitated early retirement (both in the public and in the private sectors) and increased unemployment compensation funds.

Such policies, as indicated above, were aimed at softening the harshness of reforms while stimulating private industry, via fiscal policies and subsidies, to invest and create jobs in the zones considered particularly affected by these measures (zonas de urgente **industrialización**, or ZUR), such as Galicia, **Asturias**, and Basque Country. Yet these measures did not prove particularly successful, as employment in these areas continued to decline through the mid-1980s.

The privatization policies, carried out with a considerable harshness, contrasted with the Socialist government's softness towards powerful groups entrenched in the public administration and in the private sector. For example, the Socialist governments never confronted the financial and energy monopolies responsible for some of the highest prices for energy and communications and the highest returns on capital in **Europe**.²⁴ The emphasis put on adding flexibility to the labour market, which continued during the whole period until 1996 (to a point where Spain has reached the highest rates of temporary employment and unemployment in the European Union), has not been accompanied by the curtailment of the privileges of well-entrenched economic **groups**.²⁵ During the UCD government a close relationship could be seen between contributions by energy companies to the UCD and the increases in electricity bills, regulated by the **government**.²⁶ One factor contributing to the Socialist government's unwillingness to confront banking and energy monopolies was the handsome financial support these groups also provided for PSOE electoral campaigns. Banking and the electrical companies were among the major funders of all the political parties, including the Socialist party (but excluding the Communist Party), during the democratic transition and after. They provided 20,000 million pesetas to these political parties from 1977 to 1986, with most assistance provided to the governing party. Jose Sevilla Segura, a top official in the Ministry of Public Finances during the first Socialist government, admitted that the focus of the government's economic policies had become very similar to the policies of the previous right-wing government. The main emphasis was on forcing flexibility in the labour market and confronting the trade unions, while leaving untouched the rigidities of the large employers, which continued their oligopolistic behaviour, responsible for the high costs of energy, communications, and **money**.²⁷ This differential treatment eventually generated considerable resentment from PSOE members and supporters.

Public expenditures policies

While public employment diminished during the first Socialist government, public expenditures grew considerably, from 38.1% of GNP in 1982 to 42.30% in 1985. Of these expenditures, the most rapidly increasing were social transfers, in particular the pensions public funds,

which increased from 9.10% of GNP in 1982 to 9.93% in 1985. Health expenditures, however, declined from 4.70% of GNP in 1982 to 4.60% in 1985 (see Table 1). With this exception, the Socialist government followed expansionist public expenditure policies in social transfers and in services.

Table 1: Public Expenditures (% GNP) in Spain (constant currency)

	1980	1982	1985	1986	1988	1990	1992
Public Goods							
Defence	1.99	2.25	1.99	2.28	2.00	1.71	1.56
General Services	3.29	3.58	4.06	3.97	4.10	4.50	4.70
Goods and Services							
Education	3.29	3.01	3.56	3.55	3.80	4.14	4.30
Health Services	4.55	4.70	4.60	4.54	4.50	4.99	5.42
Housing and other	1.16	1.40	1.83	1.81	1.79	1.50	1.60
Social Transfers							
Pensions	8.62	9.10	9.93	9.80	10.0	10.6	10.9
Unemployment Insurance	2.24	2.74	2.85	2.68	2.49	2.65	3.13
Economic Expenses	5.5	8.26	8.28	7.64	7.78	8.30	8.95
Interest on the Debt	0.73	0.97	3.20	4.08	3.70	3.82	4.50
Total Public Exp	33.32	38.10	42.30	42.17	41.93	43.69	46.77
Total Social Exp	21.76	23.04	24.77	24.20	24.36	25.37	27.06

(Source: Tabla 9.39 'Clasificación Funcional del Gasto de Administraciones Públicas. Participación sobre el PIB. (%)' in G. Rodrigo Cabrero, 'Políticas de Rentas' *Capítulo 9 del Informe Sociológico sobre la Situación Social en España*, Fundación FoESSA, Vol. 2, 1995, p. 1458.)

These expansionist policies, however, were reversed during the second Socialist government, with a reduction of public expenditures including social expenditures. From 1985 to 1988, public expenditures were reduced from 42.30% of GNP to 41.93% and social expenditures from 24.77% of GNP to 24.36%. Decreased social spending meant stagnant expenditures on pensions (with a significant decline in pensions per capita due to the growth of the elderly population, a decline facilitated by the Pensions Reform Act of 1985); a decline in unemployment expenditures; and a continuation of the reduction in health-care public expenditures that had occurred during the previous period (1982-1985). This reduced spending coincided with the expansion of the National Health Service to cover almost the entire population (expanding from 88% to 98% of the population), an outcome of the *Ley General de Sanidad*, approved by the Spanish Parliament in 1986. This expanded coverage with reduced expenditures meant a dramatic lowering of per capita health-care public expenditures, with a deterioration in the quality of services (particularly acute in primary care, the Cinderella of the health services) and in the

working conditions of health-care personnel, which generated widely supported strikes among health-care workers in 1988.²⁸

The government justified these austerity measures as necessary for the reduction of the public deficit and inflation and to better prepare the country for its entry into the EC in 1986. The decline in public and social expenditures, along with the decline in the disposable income of workers and the continuous growth of unemployment, generated large protests, culminating in the general strike of 1988 organized by the Communist-led Workers Commissions (CCOO) and Socialist-led Union General de **Trabajadores** (UGT). For one day the whole country came to a halt. It was the first general strike against a Socialist government in Spain, and signalled a definitive break between the union movement and the PSOE. As a result of the enormous popular support for the general strike, Alfonso Guerra, Deputy Prime Minister in the PSOE government, called for a major readjustment in the government's economic and social policies. From 1989 to 1992 (the period of the third Socialist government), public expenditures expanded from 42.77% to 46.77% (of GNP) and social expenditures rose from 24.78% to **27.06%**, reaching levels of expenditures comparable with those in most countries of the EC. These increases in expenditures were facilitated by the economic boom that occurred with Spain's integration into the EC in 1986, fuelled by a large increase of foreign investment.

The growth of social expenditures continued into the 1992-1996 period. This was a response to continuous pressure – expressed through mobilizations and strikes – from a population still frustrated with the underdevelopment of the Spanish welfare state. According to a recent poll, 69% of the Spanish population believes that pension payments are far too low, 69% believes that unemployment compensation is insufficient, and 72% believes that the National Health Service is **underfunded**.²⁹ The statistics provided by government and voluntary agencies substantiate this popular opinion. Fifty-two percent of widow pensioners and 71% of non-contributing unemployment insurance recipients received pensions below the minimum wage, and the health-care expenditures per capita are among the lowest in the **EU**.³⁰

Tax policies

One indicator of the class nature of fascism was the fiscal policies of the **Franco** regime, characterized by the most regressive system of taxation in Europe, worse than in Greece and Portugal, and the low level of public revenues. In 1975, the revenues to the state (including Social Security) represented 21% of GNP, much lower than the average (34%) for the countries of OECD-Europe.³¹ Most of these revenues were generated by indirect and regressive taxation: sales taxes represented 31% and payroll

taxes 47% of all tax revenues; income tax, of very limited **progressivity**, represented only 14% of all tax revenues. Fiscal fraud was the highest in Europe. The two main fiscal reforms after 1975, the first carried out by the Suares UCD government and the second by the 1982 PSOE government, changed this picture somewhat. By 1986, tax revenues represented 32.1% of GNP, with income taxes representing 19% of all taxes. Sales and payroll taxes continued to represent the larger proportion of state revenues (73% of all state revenues: 33% sales taxes and 40% payroll taxes). By 1990, tax revenues represented 35% of GNP, with income taxation representing 33% of all tax revenues, a considerable increase in revenues derived from this source (the average for the OECD countries was 45%).³³ The tax system remained highly regressive; Spain still had one of the lowest levels of state revenues in the EC. And tax fraud continued to be the highest in Europe. According to the Internal Revenue Agency of the Ministry of Finances, the average employer declares less income than the average labourer, while the average professional declares the same income as the latter. During the period of austerity under the second Socialist government when significant cuts were made in social expenditures in order to reduce the deficit, the respected Foessa foundation estimated that the revenues lost due to tax fraud amounted to more than half (68%) the public deficit in that period." This situation was recognized by the then Vice-Minister of Finances (Secretario de Estado), J. **Borrell**.³⁴ The preparation of the Spanish state for entry into the EC meant sacrifices primarily for the salaried and **wage**-earning sectors of the population, while for the liberal professions, **rentiers**, and employers incomes grew considerably, although such growth did not appear in their income tax returns. All this reflected the limited nature of the transformation of the Spanish state: despite improvements such as the considerable growth in the percentage of state revenues derived from income taxes, the patterns of power relations within the state changed little.

Employment *policies*

In 1982 the PSOE government inherited a very high unemployment rate of 18%, but this further increased during the 1982-1985 period, reaching an impressive 21.1% by the end of the first Socialist government. This increase was the result of a continued destruction of private and public employment, an outcome of the privatization of public enterprises analyzed earlier. The economy was stagnant during this period. It was not until the entry of Spain into the EC that there was any reversal of this job destruction. The subsequent economic boom, facilitated by the economic expansion of the capitalist world at that time, increased job creation at an average rate of 2% per year, one of the highest rates of growth in the OECD. This high rate of job creation, however, did not match the even higher growth in demand for work due to the massive entry of the young

and of women into the labour market in this period. During the second half of the 1980s, women's employment increased by 5% while men's employment declined by 1.1%. Most of the growth in women's jobs occurred in the private sector, in contrast to the experience in most OECD-Europe countries where women's job creation has mainly taken place in the public sector and particularly in the social services, a situation that continues today.³⁵ In Spain, however, the government did not have a policy of public employment through expansion of the social services sectors, an omission that was particularly surprising given the highest unemployment rate in OECD-Europe and the underdevelopment of the welfare state. Many tasks carried out through the welfare state in other EU countries are, in Spain, still the responsibility of families – that is, women. Community and home social services for the elderly and handicapped are virtually non-existent in Spain, leaving the burden of these functions to wives, daughters, and mothers. As a consequence, stress-related morbidity among women 35-55 years of age is higher than in any other group, male or female.³⁶

In the majority of OECD-Europe countries, however, the growth of employment in the social sectors has been and continues to be the main source of job growth in the last 15 years. Rather than expand this type of employment (public employment growth in 1982-1992 was only 1.2% per year), the Spanish Socialist government based all its employment policies on the neoliberal assumption that the high costs of labour and labour rigidities were the primary causes of slow job production. The theory sustained by the Ministers of Economy and Labour was that the price of labour was too high, and that the increase in salaries should be lower than the increase in productivity. This position was a constant in the economic policies of the Spanish Socialist governments, despite the fact that declining real wages and increasing productivity (both higher than in other EU countries) were accompanied by a greater rate of job destruction over the last 20 years than elsewhere in Europe." The other objective of the employment policies of the Socialist governments was an increased flexibility of the labour market, which had been extremely rigid during the fascist regime's paternalistic and corporatist type of labour relations. The *Moncloa Pacts* and subsequent government interventions changed the pattern of labour relations, producing a highly flexible labour market with one of the highest levels of precarious jobs in the EU. At the end of the 1980s, the percentage of precarious jobs (contracts without job security) was at an all time high: 38%, the highest in Europe. In particular, the majority of new positions during this period were precarious, a situation that continued into the 1990s. It is important to note that in spite of the labour flexibility laws passed at the beginning of the 1980s, the job destruction rate has remained the same, reversing itself only in the second

half of the 1980s when the rate of economic growth increased significantly. Still, during the 1991-1993 recession the level of unemployment increased considerably, reaching an all-time high of 23%.²⁸ Exacerbating the situation, the Socialist governments carried out very restrictive monetarist policies aimed at reducing the rate of inflation, one of the most important objectives of the Ministry of Finances, whose policies in this respect mirrored those of the Bank of Spain. Despite the rhetorical flourishes by the government, job creation never became a primary objective of government policies except (in an indirect and not very successful way) by stimulating the job creation potential of the private sector. The pattern of job creation and destruction followed the economic cycles, without government intervention to reduce unemployment. It was this passivity of the public sector *per se* in the face of the serious social problem of unemployment that characterized the employment policies of all four Spanish Socialist governments.

The PSOE and the Unions

The victory of the PSOE led to the establishment of a social pact between the two major employer associations – large (CEOE) and small (CEPYME) employers – and the UGT and the CCOO, starting with the *First Interconfederal Agreement* (AI) of 1983. This was followed by a tripartite agreement in 1984 with the inclusion of the government: the *Acuerdo Económico y Social* (the Social and Economic Agreement, or AES). This three year arrangement involved acceptance of both the salary guidelines dictated by the Socialist government and further measures of labour flexibility, with the establishment of a job creation programme paid for by the salaried and wage-earning sectors of the population. Employers agreed to reduce the extra hours of work required from employees and to increase employment-producing investments, while the government committed itself to expand unemployment coverage and increase employment-producing public investments. Of the three parties to the AES, the trade unions were the only party that continuously and consistently honoured its side of the agreement, keeping a lid on salaries and collaborating in the labour flexibility measures. They did so at their cost: the rate of unionization declined substantially during those three years. Both the government and the employers, on the other hand, failed to deliver on most of their promises. On the contrary, and as shown above, public and social expenditures declined during 1984-1986, while job destruction continued in both the public and private sectors. This failure to deliver and the continuing deterioration of labour (in spite of some improvements after 1986) led to a growing frustration which exploded in the 1988 general strike. The tensions between the unions and the government never **dimin-**

ished and the trade unions' profound distrust of the Socialist government is rooted in this history.

In these agreements, the trade unions agreed to accept salaries increasing at a lower rate than the rate of inflation, the employers agreed to increase job-producing investments, and the government agreed to increase the minimum pension to the minimum wage level and increase the level of coverage of the unemployed (only 38% of the unemployed were covered at that time). The employers, however, did not increase their investments. The substantial improvement in their rate of profit and overall profit levels did not translate into new jobs but rather into speculative activities. Furthermore, the government eased legal steps that employers had to take before dismissing workers and permitted a very broad interpretation of the laws allowing for the 'shit contracts.' Unemployment reached a high of 22.2% in 1985. To further aggravate the situation, the government introduced legislation in Parliament (where it had a majority) revising the pension law, increasing the number of years of worker contributions required before the enjoyment of pensions. This was read by the CCOO as the starting point for the government's reduction of the welfare state, which led in 1985 to a call for a general strike – one that had varied success in different regions of Spain.

The focus on lowering the price of labour and increasing labour flexibility as the twin pillars of employment policy has lost substantial credibility among the PSOE electorate and among the trade unions. In this regard it is remarkable that Maravall and other Socialist leaders continue to accuse the trade unions of non-solidarity and corporatist behaviour, putting their interests above the interests of the nation. As a matter of fact, both the UGT and the CCOO accepted wage controls and labour flexibility for the entire duration of the first Socialist government. Their labour discipline, accepting that wages were to increase at a slower rate than productivity, was part of their contribution to the democratic transition and to the success of the first left-wing government elected after that transition.

The UGT did not join in the strike, but the relationship between the UGT and the Socialist government also began to deteriorate. Nicolas **Redondo**, Secretary General of the UGT, resigned from his position as a Socialist Member of Parliament. Shortly before his departure, the UGT lost the trade union elections to the CCOO, which in 1987 became the largest trade union. In 1986 major changes followed the entry of Spain into the Common Market. Attracted by low salaries and high labour flexibility, an enormous flow of foreign investment stimulated (through increased competition) Spanish employers to invest. Starting in 1986, there was for the first time since 1977 a real increase in Spanish salaries and wages, increasing workers' disposable income; salaries increased at a higher rate

than inflation. Unemployment was also reduced with the creation of one and a half million jobs during the 1985-1989 period, but that was due primarily to the increase in temporary jobs. The temporary economic boom strengthened labour, which was further consolidated with the virtual union of the major trade unions, CCOO and UGT. Together they were better able to stand up to the government and employers, particularly in protest against the significant cuts in public and social expenditures that led to the December 14th, 1988 general strike which forced the major social turn in the policies of the Socialist government.

But it was not enough to undo the damage that had been wrought by the overall strategic orientation of the PSOE since its election in 1982. According to the Institute for Labour Statistics of the Spanish Ministry of Labour, the disposable income of the wage sector of the labour force has declined 1.5% during the last 15 years.³⁸ Unemployment has increased by 58% and poverty – although it has declined due to the universalization of pensions and health services – still affects 20.7% of the population.”

The Electoral Decline of the PSOE

As we have seen, despite the programme on which it was elected, the first PSOE government gave priority not to the creation of employment but to the control of inflation and the capitalist modernization of industry in preparation for the entry of Spain into the EC. This resulted in a continuation of job destruction, with clear reluctance on the part of the Spanish capitalists to invest. Not until 1986 and 1987 was there any considerable increase in job-creating investments, and even then most was stimulated by foreign investments. Public expenditures, however, continued to expand in the two areas that mattered most for electoral purposes: pensions and unemployment insurance – although the percentage of unemployed covered declined due to the large increase in unemployment.

The 1986 election witnessed another majority sweep for the PSOE, although its share of the vote declined to 44.4% from 48.4% in 1982. Though it still received the majority of the working-class vote, two important warning signs of workers' discontent with Socialist government policies had already appeared: a significant increase in working-class abstention from voting and a major decline in the working-class vote for the PSOE. The PCE benefited surprisingly little from this working-class disillusionment. The other major change in the 1986 election was the middle class's reluctant vote for the PSOE, out of fear of a right-wing victory under Manuel Fraga, the presidential candidate of the Conservative Party who had been a minister in the fascist regime. Old memories kept alive during the PSOE's electoral campaign did the trick. The discrediting of the Right, still perceived as a forceful political successor to the fascist

regime, was the best card played by the PSOE in the 1986 elections; and it was the weakness of the Right together with that of the Communists that provided the space for the rightward shift of the PSOE government.

The PSOE was once again victorious in the 1989 election, but with a significantly lower vote of 38.7%. It might seem paradoxical that just one year after a most successful general strike the electorate returned the PSOE to power. The victory was in part the result of the social turn that the strike had forced on the government, creating the impression of a new sensitivity to working-class demands. Also, disposable income was increasing after a long period of decline, with the unemployment rate now falling. Still, working-class support for the PSOE continued to decline. Moreover, two new and notable developments occurred. The middle-class sectors became more reassured by changes in the right-wing party, the Popular Party (PP), when Fraga was replaced by Jose Maria Aznar. Aznar, although a tax collector lacking in charisma, was nevertheless a new face with no connections to the former fascist regime.⁴¹ The PP received a considerable increase in the vote in 1989, up to 32%, and the PCE (now regrouped within an alliance of leftist forces and disaffected groups in the Izquierda Unida, or IU – the United Left) finally started benefiting from the working class's discontent with the Socialist government, gaining 9% of the electoral vote. But as working-class frustrations continued, there was a general pre-election perception in 1993 that the PSOE would lose. That perception was strengthened by the very poor performance of Gonzalez in a debate with Aznar. For the first time since 1982 it seemed that the post-Francoist Right – represented by the PP – was going to win. A panic spread among the Left, with the battle cry 'no pasaran' ('they will not pass!'), the resistance call of the Republican forces in Madrid under siege during the Civil War. On election day, however, to everyone's surprise, the PSOE won again, primarily because – as exit polls showed – many left-wing people who intended not to vote, or to vote for the IU, changed their minds at the last minute and voted for the PSOE. It won 38.7% of the vote, while the PP received 35%. The IU was the loser in that last-minute transfer of votes: it received practically the same proportion (9.6%) as in 1989. The message, however, was clear: the left-wing voter did not want the PP in government while preferring a shift to the left by the Socialist government. According to the polls, this was also the desire of the majority of the electorate, including those who abstained.

Rather than ally itself with the IU, however, the PSOE government allied with the centre-right Catalan nationalist party, pressing for a new labour reform that would further increase the flexibility of the labour market. This proposal was opposed by the unions, which called for another general strike that had a considerable following among industrial and construction workers. In the 1994 European elections, the PSOE lost three

and a half million votes, reaching the lowest level since democracy was established. The working class abstained en *masse*, although the IU vote increased to 13% and for the first time a significant number of workers (over 14%) voted for the PP, particularly in the red suburbs of the big cities. The only sectors that remained loyal to the PSOE were the pensioners (25% of whom voted PSOE) and small farmers and farm workers (more than half), the chief beneficiaries of the expansion of the pension system and of the National Health Service.

Table 2 Electoral Behaviour by Occupation and by Size of Town in the 1996 Election

Electoral Behaviour by Occupation in 1996 Election

OCCUPATION	PARTY		
	PSOE	IU	PP
Employers	20%	6%	63%
Farmers	32%	2%	52%
Liberal Professions	30%	7%	51%
Industrial Workers	40%	15%	26%
Administrative Personnel	38%	14%	32%
Civil Servants	26%	12%	51%
Unskilled Labour	48%	12%	32%
Unemployed	38%	18%	32%
Pensioners	48%	4%	38%
Housewives	49%	6%	39%
Students	32%	20%	34%

Electoral Behaviour by Size of Town in 1996 Election

POPULATION	PSOE	IU	PP
Less than 10,000	42%	8%	35%
50,000–100,000	38%	12%	38%
More than 500,000	32%	13%	45%

(Source: *El País*, 6 April 1996, p. 14.)

In the March 3rd, 1996 national election, the PP finally won with 38.78% of the vote while the PSOE received 37.62%. The PP received 9,700,863 votes versus 9,419,530 votes for the PSOE, a difference of only 281,333; the total left-wing electorate however numbered one million more than the right-wing as the majority of the electorate (51.2%), taking into account the votes of the left-wing regionalist parties, voted left. The PSOE and the IU received a total of 48.1% of the vote, almost identical to their aggregate vote in 1993 (48.4%). A transfer of votes from the PSOE to the IU had occurred, and since the electoral system favours large parties

over small," the number of left-wing elected representatives was much smaller in 1996 than in 1993, declining from 177 parliamentary seats to 162. This explains why the PP favoured the IU over the PSOE during the electoral campaign. The enormous sectarianism within the Left had led to its defeat. Had the IU voters supported the PSOE candidates in those districts where the IU candidates had no chance of being elected, and had the PSOE voters voted IU in those districts where the PSOE had no chance of being elected, the PSOE would easily have won? Still, for Julio Anguita, President of the IU and Secretary General of the PCE, the largest political force in the IU, the main 'enemy' (a term he used frequently) was the PSOE rather than the PP. Table 2 shows the occupational and regional support for the IU, PSOE, and PP. The strongest PSOE supporters continued to be the pensioners, unskilled labourers, industrial workers, and rural dwellers. The PSOE lost in most of the autonomous regions except for Andalusia and Catalonia.

The PP had run a campaign presenting itself as a 'centre' party, renouncing some of the most extreme 1993 positions such as the privatization of Social Security and the National Health Service, even though the latter had already been initiated in some of the regional autonomies controlled by the PP. The PP appeared as the party of Jacobin Spain with anti-Catalan and anti-Basque positions, calling on the support of the immigrant Spanish-speaking working class in Catalonia and in the Basque country. Still, the major advantage of the PP was the unpopularity of the PSOE government. On election day, 35% of PP supporters declared they voted for the PP as a way of getting rid of the PSOE government. An important group that deserted the PSOE in droves was the young. In the 1982 election the young (18-27) represented 25% of the PSOE vote; in 1996 they represented only 16%. For the first time since democracy was established in Spain, more young people voted for the PP than for the PSOE.⁴

The IU did not benefit much from the unpopularity of the PSOE. Its share of the vote rose only slightly, from 9% to 11%. This outcome was primarily a result of the position taken by the leadership of the PCE, the major force in the IU whose anti-PSOE strategy (accusing the PSOE leadership of being the major enemy of progress in Spain) indirectly favoured the PP. This alienated considerable sectors of the PSOE grass-roots who, while in disagreement with the economic policies of the PSOE government, did not accept Anguita's position that the social-democratic government was worse than a PP government would be. The systematic anti-PSOE policies of the IU had been responsible for an ultra-right-wing member of the PP (a member of the fascist group **Guerrilleros de Cristo**) becoming governor of Asturias, the coalmining region of Spain and the main left-wing region of the country. Both the anti-communism of Felipe

Gonzalez and the anti-socialism of Anguita caused disgust among large sectors of voters of both parties. On election day the number of protest votes (ballots left blank) against the sectarianism of both parties of the Left was larger (367,198 votes) than the **PP's** margin of victory over the PSOE (281,333 votes). During the 1996 election, Anguita had declared that the primary objective of the PCE was to defeat the PSOE government, making it indistinguishable from the **PP**.⁴⁵

The election of the PP government with the support of the right-of-centre Catalan and Basque nationalist parties has further accentuated the neoliberal economic policies initiated by the previous Socialist government, adding new public policies aimed at reducing and even dismantling the rather undeveloped Spanish welfare state. The Bank of Santander, the second largest bank in Spain and a major funder of the PP, has been calling for the full privatization of the Spanish social security system, as happened in Chile during the Pinochet dictatorship."

Moreover, the victory of the PP has empowered the Right, including the fascists, quite considerably. Open expressions of fascist fervour and support are tolerated by the PP. Shortly before the March **3rd**, 1996 **elections**, for example, a municipal councillor from Albacete (Andalusia) protested the 60th anniversary of the arrival of the International Brigades by calling them criminals, killers, butchers, and the scum of the earth, without being censored by the PP **leadership**.⁴⁶ The PP-governed municipality of **Malaga** opposed a popular **proposal** to name a street after one of its best known sons, Pablo **Picasso**, because he was a 'red.' And the President of the University of Sevilla, Mr. Medina, awarded the National Prize in Literature in 1975, recently spoke very highly of Franco, Hitler, **Mussolini**, and Pinochet, referring to fascism as the highest level of development of a **society**.⁴⁸ In all these cases, the national leadership of the PP has remained silent. While the PP wanted to appear as a moderate party of the centre, the far Right and the Francoist forces campaigned **actively** for the party, and Aznar, its presidential candidate, welcomed their support. He avoided distancing himself from the Franco era and denounced the Socialist party's **anti-Francoist** pronouncements as exaggerated and unfounded. When asked in an interview during the 1996 campaign whether in 1936 he would have supported Azaiia (the head of the democratically elected Republican government) or Jose Antonio Primo de Rivera (founder of the fascist party), Aznar replied that fortunately he did not live during those years and did not need to make a choice. When the interviewer persisted and asked whether Franco had been a positive or negative force in Spanish history, Aznar replied that it was not **up to** him to judge **Franco's** tenure, that was history's role. His own strongly conservative pro-Catholic view had been a trademark of his campaign, calling for 'men who know what responsibility is and for women who know their place as women in

society.'" At the economic level, major financial centres, which are very influential in the leadership of the PP, have called for what amounts to a dismantling of the Spanish welfare state.³⁰ And the economic team of the government reads like a Who's Who in the world of large Spanish employers?' The PP named Margarita Mariscal as Minister of the Interior, an ultra-right-wing lawyer and daughter of a well-known rightist judge who defended the fascist branches of the Spanish civil guard that planned the (failed) military coup of 23 February 1982. Three other members of the Cabinet belong to the ultra-right-wing religious order Opus Dei, including a newly established Undersecretary for Religious Affairs.³¹

The fact that the PP has attracted the support of the fascist movement of Spain, thought to represent approximately one-third of the PP vote, explains why Spain is the only country in southern Europe that does not have an explicitly fascist party as such. It also explains why the PP government has not distanced itself from the fascist regime of General Franco. The PP's economic team, however, belongs to the liberal branch of the party and is committed to further increasing labour flexibility and reducing the social protection of the working class – but without reaching the extremes put forward by large sectors of the employers' association who called for the dismantling of the welfare state. Supporting this restraint is the Catalan Christian Democratic Party, or CIU, which fears that such measures would threaten the social peace of Spain.

So far, the PP has reduced taxes on dividends and the taxes of the wealthiest 20% of the Spanish population; privatized the still existing major public enterprises; deregulated urban zoning (a central government responsibility in Spain), greatly favouring real estate interests; reduced social expenditures (except pensions); and further liberalized capital and labour markets. For this last measure the PP government has the support of all the previous Ministers of Economy of the successive Socialist government. There is, therefore, a clear continuity in the economic policies of the PP and PSOE governments, although they will likely be taken to more unrestrained levels by the PP. The seeds of those policies, however, were planted during the PSOE governments.

Interpreting the Decline of Spanish Social Democracy

The experience with the Spanish Socialist government enables us to test one of the main interpretations of the decline of social democracy in Europe. Przeworski and Sprague³² attribute the fall of social democracy to the decline of its basic constituency, the working class and the trade unions, and its subsequent attempt to reach out to the middle class in order to maintain its electoral base. This reaching out to the middle class, however, alienates the shrinking but still essential working-class base, which puts

these Socialist parties in an impossible situation. According to this position, then, the decline of the Socialist government in Spain would be the result of the decline of the Spanish working class and the alliance of the party with the middle-class electorate.

Table 3: Evolution of the Intention to Vote Among Various Classes in Spain, 1986 and 1993

CLASSES	PARTY	YEAR	
		1986	1992
Old Middle Class*	PP	20.8	17.5
	PSOE	20.2	19.9
	IU	1.7	3.6
New Middle Class†	PP	14.4	16.0
	PSOE	42.1	26.3
	IU	3.3	7.8
Working Class	PP	5.1	11.5
	PSOE	45.1	36.1
	IU	2.9	5.8
Small Farmers and Farm Workers	PP	16.0	12.0
	PSOE	33.0	56.0
	IU	—	—
Inactive in the Workforce (primarily pensioners)	PP	13.1	16.0
	PSOE	25.0	25.2
	IU	0.8	1.9

(Source: J.F. Tezanos, Tabla 9, 'Socialismo y Clases Medias,' *Sistema*, Nov. 1994, p. 29.)

*Owners of small industrial, agricultural, and service businesses, liberal professionals and self-employed.

†Administrative employees, commerce employees, and salaried professionals.

Przeworski and Sprague's explanation is wrong on many different counts. First of all, their definition of the working class as 'the wage earners and salaried who realize manual labour in mining, industry, construction, transport and agriculture, and their inactive family members'¹³ is extremely narrow. It excludes service workers in both the private and public sectors, a key segment of the working class. Yet even within their narrow definition of working class, the very slow decline of those sectors in Spain has been less than the decline in workers' support for the PSOE. Actually, the working class in Spain, according to both structural and subjective definitions, has been expanding rather than declining. Between 1975 and 1992, the percentage of the working population declaring themselves to be members of the working class increased from 39.8% to 50%, while the percentage declaring themselves to be middle

class declined from 60% to 45%.³⁵ Moreover, while the percentage of the working population that is unionized was falling during the first half of the 1980s (coinciding with the trade unions' agreement with the Socialist government), that percentage later increased when the unions took a more militant stand. The most militant among them, the CCOO, gained many new members and became the leading union in Spain. It was precisely at this time of trade union growth that working-class support for the PSOE declined.

Moreover, the period of maximum working-class support for the PSOE coincided with the period of maximum support among the middle class (Table 3). In the majority of the middle class (administrative personnel, salaried professionals, and commerce employees), the decline of support for the PSOE paralleled the decline among the working class, although the middle-class decline was somewhat slower. There was no trade-off, therefore, between middle-class voters and working-class voters.

None of Przeworski and Sprague's theses are proven correct in the case of Spain. As shown in this article, the decline of the Spanish social-democratic government is primarily a political, not a structural, problem. It is due to the implementation of public policies, documented above, that have antagonized a large segment of both the working class and the middle class. The welfare state and its parallel policies of full employment, for example, can benefit both classes when the welfare state is based on universal policies in which social transfers and services are provided as citizens' rights, and when the funding of these interventions is progressive rather than regressive, with the level of benefits satisfying the standards of the middle class.³⁷ The policies of the PSOE government, however, antagonized both the working and the middle classes. While that government did not deserve the sobriquet of 'Thatcherite socialism,' it did follow policies that were too close to the interests of capital rather than to the interests of the working and middle classes. It got away with this for a long time, given the revulsion these classes felt for the right-wing alternative. But it could not avoid the political and electoral decline that must eventually attend a social-democratic party that accepts the main economic tenets of neoliberalism.

NOTES

1. It is important to clarify that while southern European social-democratic parties (in Spain, Italy, France, Greece, and Portugal) were winning government elections, the overall level of electoral support (32.9%) received was, on average, lower than the electoral support (39.7%) obtained by northern European social-democratic parties (in Sweden, Norway, Denmark, and Austria), and only slightly higher than support (28.6%) for central European social-democratic parties (in Western Germany, Belgium, Holland, and Switzerland) – see W. Merkel, 'Evolución Electoral de los Partidos Social Demócratas', *Final de la Social Democracia?* (Edicions Alfons el Magnanim, 1995), Tabla 3, p. 62.
2. 'Declaraciones de Solchaga', *El País*, 15 January 1989.

3. L. Paramio, 'El Socialism y los Sindicatos **Hacia** el Divorcio?', *Sistema*, No. 82, 1988.
4. 'Declaraciones del Vicepresidente **Serra**', *El País*, 28 October 1988, p. 12.
5. See L.C. Bresser, J.M. Maravall and A. **Przeworski**, *Economic Reforms in New Democracies: A Social Democratic Approach* (Cambridge University Press, 1993).
6. J. M. Maravall, 'Politics and Policy: Economic Reforms in Southern Europe' in L.C. Bresser, *et al.*, *op. cit.* See also J.M. Maravall, *Los Resultados de la Democracia: Un Estudio del Sur y del Este de Europa* (Alianza Editorial, 1995).
7. W. Merkel, *op. cit.*, p. 227.
8. A. **Przeworski** and J. Sprague, *Paper Stones: A History of Electoral Socialism* (University of Chicago Press, 1986).
9. There is an extensive bibliography on the Spanish transition. The best known accounts are P. Preston, *The Triumph of Democracy in Spain* (Methuen, 1987), and J. M. Maravall, *The Transition to Democracy in Spain* (Croom Helm, 1982). See also chapter 21, 'The End of Authoritarian Regimes in Western Europe' in D. Sassoon, *One Hundred Years of Socialism* (I.B. Taurus, 1996). Sassoon's explanation, however, relies too much on the interactions among the personalities involved in the transition, without analyzing the key role played by popular mobilizations.
10. The PSOE had received substantial financial aid from the Socialist International and from the German S.P.D. which enabled it to establish an impressive network of local offices throughout the country. See the chapter on Spain in P. Anderson and P. Camiller, *Mapping the West European Left* (Verso, 1994).
11. J. **Albarracín**, 'La Política de los Sindicatos y la Dinámica del Movimiento Obrero' in M. Etxezarreta, *La Reestructuración del Capitalismo en España 1970-1990* (Icaria, 1991), p. 467.
12. Due to the difficulties in firing workers during these years, the considerable growth in unemployment in this period was primarily a result of new entries into the labour market (300,000 new job seekers): women, in particular, whose rate of labour force participation had been historically very low; youth whose numbers had increased substantially due to the 1960s baby boom; and Spanish immigrants returning to Spain as Europe experienced its first major post-war recession after 1973.
13. F. Miguelez and C. Prieto (eds.), *Las Relaciones Laborales en España Siglo XXI*, 1991, p. 82.
14. The radical discourse of the PSOE and its subsequent overwhelming electoral victory at first frightened the monarchy and the Spanish establishment. The King had already expressed his concern about the PSOE's growing popularity during the UCD government, writing a letter on 22 June 1977 to the Shah of **Iran** requesting a gift of 10 million dollars for the UCD in order to strengthen Suarez's party, 'the guarantor of the monarchy and of Spanish stability and the only force to stop socialism.' See A. **Missé**, 'La financiación de los partidos', *Memorias de la Transición*, No. 23, *El País*, 1996, p. 413. The Shah of Iran replied that he preferred to answer the King of Spain orally rather than in writing.
15. In 1982, the active population included 13,237,000 adults of which 2,120,000 were unemployed.
16. It is important to stress that the Franco state was indeed a fascist state, despite the formal political discourse of Spain (accepted by the major political parties) which refers to that fascist state as a Francoist state and the fascist regime as a Francoist regime. This is a political project to reinterpret that regime as a personal dictatorship of General Franco, denying or at least downplaying its class nature. In reality, the Spanish state during that period was a dictatorship that sustained an extremely repressive class dominance with the collaboration of allied social strata that shared in the control of the state. The **post-Franco** transition resulting from a pact between left and right political and social forces left the state apparatus practically unchanged, including its public administration. The democratic institutions were appendages to a public administration that went unchanged. The maintenance of the monarchy was a symbol of that continuity. This point merits emphasis

because of recent attempts to deny the class character of fascism and the fascist character of the Spanish regime. (For a discussion of this topic see V. Navarro, 'Fascism and Antifascism: Yesterday and Today', *Monthly Review*, Vol. 47, No. 8, 1996, pp. 14-27). The major supporters of the fascist coup and the fascist movement were the capitalist class, both the modernizing sector of that class (in banking and industry) and the oligarchic sector based on land ownership (plus the Church, and the middle classes). The key funder of the fascist coup was the financier Joan March who had been a leading member of the Liberal Party and founder of the liberal paper *Libertad (Liberty)*, and was presented during the second republic as the model of a modernizing entrepreneur. When March felt threatened by the expansion of working-class power, he funded the fascist military coup with the assistance of his collaborator, John Olrich, a top executive of the Exxon Oil Company, and with the approval of the U.S. State Department. Joan March was the main supporter and defender of the **Franco** regime. Today his family continues to be prominent in the finance sector in Spain and they fund the **liberal** Foundation March, which counts among its leadership (as co-director of the Foundation's Research Center on Social Sciences) Jose Maria Maravall, one of the most influential theoreticians of the PSOE, and a Minister of Education during the first Socialist government.

17. French events have always had an enormous impact in Spain, partly the result of common traditions, partly because most of the political establishment traditionally spoke French rather than English as a second language. (This situation began to change during the 1980s when English became the primary foreign language, with *The Economist* and the *International Herald Tribune* quickly replacing *Le Monde* as the most influential foreign newspapers within the political establishment.) Mitterrand's early policies were, in fact, responsible for France having an unemployment rate of only 2% of the total labour force, compared with 4% for the EC (and 5% for West Germany). Also, the public deficit in France was the lowest among the G-7 countries and the balance of payments was 2% of GNP, similar to the average for the OECD countries. Although inflation increased, alternatives to the austerity policies imposed were available to counter this trend, including more progressive fiscal policies and measures to reduce high rates of consumption by the wealthy. Instead, the Mitterrand government followed austerity policies that affected most negatively the working class and popular masses, increasing unemployment and social inequalities. As Rocard, who along with Jacques Delors was an early advocate of these reforms, was later to recognize, 'an income redistribution took place with a considerable decline in the disposable income of the popular classes, mass unemployment and labour insecurity ... all to the benefit of financial capital who won completely!' See M. Rocard, 'L'heure de **verité**', *France*, 25 April 1993, p. 2.
18. Even under the Socialists the Bank saw its sole function as controlling the rate of inflation; it has never considered the reduction of unemployment to be one of its primary objectives.
19. This attitude towards the unions by influential figures within the PSOE has been noted by several observers as a rather peculiar and atypical position for socialist leaders to take. See, for example, the comments made by Margaret Hodge to the leading PSOE members, in M. Escudero's contribution to the collection edited by D. Miliband, *Reinventing the Lefr* (Polity Press, 1994), p. 245.
20. See 'Quienes son nuestros gobernantes?', *El Pais Semanal*, 22 August 1994, p. 12.
21. Employment in the former increased from 3.85% of the total public employment in 1982 to 34.97% in 1996, and in the latter – the municipal government – increased from 14.47% in 1982 to 23.96% in 1996. Central government employment actually declined from 77.59% of total public employment in 1982 to 34.25% in 1996. 'El Estado de Bienestar Exige **Más** Funcionarios,' *La Vanguardia*, 4 February 1996, p. 18.
22. See especially J. Petras, 'The rise and decline of southern European socialism', *New Lefr Review*, 146, 1984, pp. 37-52.
23. C.A. Zaldibar and M. Castells, *España Fin de Siglo* (Alianza Editorial, 1992), p. 79.

24. World Competitiveness Institute, 1994.
25. M. Etxezarreta, *op. cit.*, p. 45.
26. A. Missé, 'La financiación de los partidos', *Memorias de la Transición, El País*, Vol. 23, March 1996, p. 416.
27. J.V. Sevilla Segura, *Economía Política de la Crisis Española Crítica*, Capítulo 5, 1985, p. 123.
28. V. Navarro and J. Elola, 'Las Políticas Sanitarias en España 1970-1995', *Sistema*, Vol. 102, 1995.
29. See G. Rodrigo Cabrero, *Informe Sociológico sobre la Situación Social en España*, Capítulo 5, 1995, p. 1450. The main complaints have to do with poor quality of the hotel side of hospital services, bureaucratic administration and NHS insensitivity to users, and minimal time that primary-care doctors spend with patients (3 minutes on average).
30. S. Sarasa and L. Moreno (eds.), *El Estado de Bienestar en la Europa del Sur* (Consejo Superior de Investigaciones Científicas, 1995), p. 70.
31. *Revenue Statistics of OECD Member Countries 1965-1985* (OECD, Paris, 1986), p. 83; and *OECD España 1988-89*, M.66.
32. **Presión Fiscal y Componentes en % del PIB: Comparación Internacional**, in M. Etxezarreta, *op. cit.*, p. 194.
33. G. Rodríguez Cabrero, 'La **distribución** de la Renta en España en la Decada de los Años Ochenta. Las Políticas de **Redistribución** Fiscal desde la Fiscalidad' en *Informe Sociológico Sobre la Situación Social en España* (Fundación Foessa, 1994), p. 1433.
34. J. Borrell, 'De la Constitución a Europa: Una Decada de Política Fiscal', *Información Commercial Española*, Vol. 680, 1990, pp. 9-37.
35. Employment Survey, OECD, 1995.
36. *Encuesta Nacional de Salud*, Ministerio de Sanidad y Consumo de España, Tabla 5.
37. C.A. Zaldibar and M. Castells, *op. cit.*, pp. 320, 99.
38. R. Marimon, ed., *La Economía Española* (Antoni Bosch Editions, 1996), p. 23.
39. 'El poder adquisitivo de los salarios cedió un 1.5% durante los últimos quince años', *Cinco Días*, 12 January 1996, p. 14.
40. Informe FOESA, 1993.
41. Even though in an unguarded declaration to the press in 1980 Aznar had criticized **Guernica**, the Basque city destroyed by Nazi bombers and immortalized by the **Picasso** painting that bears its name, for removing the names of General **Franco** and Jose Antonio Primo de Rivera, founder of the fascist party, from the city's streets.
42. C. A. Zaldibar and M. Castells. *op. cit.*
43. 'Votos de IU en favour del PP', *El País*, 10 March 1996, p. 19.
44. J. Montero, L. Nuño and S. Paloma, 'El comportamiento electoral de los jóvenes: Reflexiones sobre las elecciones legislativas de 1996', *Temas*, No. 19, 1996, p. 24.
45. 'Anguita situa a Gonzalez como el autentico enemigo de la izquierda', *El País*, 27 February 1996.
46. 'Botín aconseja les pensions', *Els Temps*, 4 March 1996, p. 28.
47. 'Un concejal del PP tacha de 'asesinas' a las Brigadas Internacionales', *El País*, 26 February 1996.
48. 'Elogio del fascismo', *El País*, 10 May 1996, p. 30.
49. Entrevista con Jose Maria Aznar, *El Tiempo*, 24 February 1996, p. 1. In the March 3, 1996 election, young women (25-44 years) favoured the PSOE over the PP by a higher margin (3 to 2).
50. 'Un libro contra un estado', *El País*, 16 June 1996, p. 49.
51. 'Nombramientos made in PP', *El País*, 17 June 1996, p. 62.
52. 'Los nuevos ministros', *El País*, 5 May 1996, p. 19.
53. 'Cuatro ex-ministros de economía debaten las perspectivas de la union monetaria', *El País*, 12 July 1996, p. 62.
54. A. Przeworski and J. Sprague, *op. cit.*

55. *Ibid.*, pp. 34-35. For a similar criticism of the very restrictive definition of working class used by Przeworski and Sprague, see L. Panitch, 'Capitalism, Socialism and Revolution', *Socialist Register 1989*, (Merlin Press, 1989), p. 20.
56. F. Tezanos, 'Socialismo y Clases Medias', *Sistema*, Vol. 123, Nov 1994, p. 24.
57. For an elaboration of this point see V. Navarro, 'La Economía y el Estado de Bienestar', *El Futuro del Socialismo*, (Fundacion Sistema, 1995).