

REPORT ON DEMOCRACY IN SPAIN

2012

(ENGLISH VERSION)

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**INFORME
SOBRE LA
DEMOCRACIA
EN ESPAÑA
2012**

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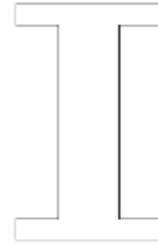
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Preface 2012

Joaquin Estefanía

1. The depoliticisation of politics

In 2011, Spain witnessed a radical change in the political cycle, with the Popular Party (PP) accumulating a much greater portion of power than at any other time since the return to democracy and the Spanish Socialist Party (PSOE) suffering an unprecedented electoral debacle. An analysis of the circumstances of this change (the vote loss/gain in various types of elections) leads to the conclusion that there has been a collapse of the left rather than a substantial increase of support for the right.

An examination of the data enables us to identify at least three major causes for this new state of affair: firstly, the presence of a longer and deeper economic crisis than any experienced in Spain for many generations (and which has ousted many of the governments that were managing it, irrespective of their ideology). Secondly, that the management of the economic downturn has been perceived by voters as erratic and contradictory, with far too much improvisation and an unfair distribution of sacrifices. Thirdly - and the most novel factor in terms of its potential (see previous Reports on Democracy in Spain) – the emergence of a powerful foreign limitation on autonomous economic policy that had already conditioned the political policy of the Socialist Government and, regardless of the size of their absolute majority, will undoubtedly condition that of the PP Government. The phenomenon has been described by some analysts (for example, Thomas Friedman in “The Earth is flat”) as a ‘golden strait-jacket’ for the national economic policies of European Union (EU) member states.

Portents of change to the political cycle were first noticed in the European Parliament election of 2009, which was won by the PP; and the change was consolidated in 2011 with the coincidence of general and municipal elections. These elections resulted in a resounding victory for the right (with a large increase in the number of councillors, majority governments in the autonomous regional governments and large cities, and an absolute majority in the national Parliament) and the collapse of the PSOE (which only managed to hold on to nine councils in provincial capitals, lost 59 seats in Parliament and thousands of local councillors, signifying the worst results of the whole modern democratic period). Since 2009, the socialists have floundered in every election and, in general, have suffered a decline irrespective of whether or not they had been good administrators in a particular area, or whether the PP were efficient, or inefficient and corrupt. In light of these circumstances the important question that socialists must ask themselves now is why they have ceased to be the preferred party of the Spanish electorate. Why has the electorate grown weary of their proposals? Why are they no longer the favoured party?

The objective conditions during the 2011 elections and those of the first quarter of 2012 (autonomous regional elections of Andalusia and Asturias) were not at all propitious for those trying to govern Spain's collective economic problems. In the summer of 2011, just when it was thought that the most severe difficulties of the Great Recession – most keenly felt during 2009, especially in the first quarters - had been overcome, the economy sank back into a steep decline, exhibiting a lack of growth, increase in unemployment, reductions in disposable income, solvency problems related to national debt, difficulties of financial bodies demonstrated by an absence of family and business credit and, above all, uncertainty about how long the need for sacrifices would last. All signs of the celebrated 'green shoots' had disappeared.

Thus, the heralded exit from the crisis acquired the form known amongst economists as the 'W' (meaning that when the worst difficulties appear to be over, they resurface with increased ferocity), which carried with it a deterioration in living conditions. Recent studies show that more importance than at other time was given to the economic variable in the voting decisions of Spaniards, even when at odds with their ideological position. The Great Recession, which began in the summer of 2007, has the potential to be the longest and most destructive since the Great Depression of the 1930s and economic historians are unanimous in describing it as one of the major crisis in

the history of capitalism (together with the two World Wars and the aforementioned Great Depression). By the end of 2011, no respectable analyst was able to predict when the prevailing trend would change and, indeed, many were talking about a 'lost decade'.

Moreover, the response of the Socialist Government, stunned by the magnitude of the difficulties and their enormous complexity (often described as a 'perfect storm'), left much to be desired. Their tardiness in taking on board the evil nature of the crisis in Spain and the adoption of reactive measures, which were more often than not merely cumulative and at times conflicting and improvised, has already been discussed in the Report of Democracy in Spain 2011. (It should be noted that this improvisation was partly justified by the heterogeneous nature of the Spanish crisis, which presented a rapidly changing face. The problems caused by the housing bubble, the growth of inflation due to rising oil and raw materials prices, banking liquidity and solvency, unemployment, sovereign debt and premium risk, etc – began piling up behind the still unsolved earlier problems.)

In 2011, the initial results of the fiscal consolidation package were published. The package had been adopted in May 2010 and represented a dramatic *volte face* to previous Government economic policy that had favoured reducing the deficit more slowly and paying greater attention to the social consequences of the crisis. The adjustment package not only changed the political priorities of the socialist Government but was unable to calm the tensions in the sovereign debt markets – although it did manage to avoid the type of intervention that the European Commission, the International Monetary Fund (IMF) and the European Central Bank (ECB) had made in Greece, Ireland and Portugal. It also had important effects on contracting the economy.

Moreover, compared to the adjustment measures assumed by the majority of European countries (two thirds reduction in public spending and a one third increase in taxes), the Spanish austerity measures almost exclusively focused on reducing expenditure. Given its regressive effects on redistribution, it was difficult to explain why an ideologically-socialist government adopted a policy that mainly affected those receiving benefits and public services. But even more surprising was the fact that although the plan should have triggered a political debate on the allocation of the burden of adjustment between different social classes, this was very far from the case. There was no debate between

economic policy-makers (nor, amazingly, within the PSOE) and this prompted the indignation of many citizens who expressed astonishment that they were in large part expected to pay for a crisis that was not of their making. This anger was later evidenced in abstentions at the polling booths and the swing of votes from left to right. These variations are examined in detail in other chapters of the *Informe sobre la Democracia en España 2012 (IDE 2012)*.

2. The regressive distribution of wages and wealth

The most tangible results of this austerity policy are illustrated by two surveys carried out by the National Institute of Statistics (*INE*): the Survey on the Active Population (*EPA*), which provides data on the labour market - those in work, the active population, the unemployed and the inactive; and the Survey on Living Conditions (*ECV*), which produces information on the level and living conditions of Spaniards and, more importantly, on social cohesion. In 2011, both surveys evidenced a sharp deterioration in unemployment and poverty levels.

By the end of the year, unemployment was affecting 5.27 million people (22.85%, the highest of any OECD country). Compared with the previous year the figures for the active population and those in jobs had declined, the number of households with all active members unemployed had increased to 1.57 million, unemployment for the under-25s had risen to almost 50% and long-term unemployment (more than a year unemployed) had multiplied. When the unemployment benefits of those out of work for more than two years ended they had to survive on either the 'sweep-up' benefit of (a provisional) €400, or the variable and decreasing regional aid schemes, or the network of private and family help (1.7 million people received no public benefits). According to figures from the NGO, *Caritas*, the number of households receiving no income whatsoever came dangerously close to 600,000. All the percentages – with the exception of unemployment – were rising throughout 2011.

The provisional *ECV* data also included conclusive evidence on living conditions: the reduction in average household income stood at 4.4%; 36% of households responded that they were unable to meet unforeseen expenses; 22% of the population were living below the poverty threshold; 26% said that it was difficult or very difficult to make ends meet each month, etc..

This year's "*Informe sobre Democracia en España*" examines in detail the increase in popular dissatisfaction with the functioning of a system that tolerates the persistence of significant social inequalities within a society characterised by a lack of public participation in the decision-making processes (a dissatisfaction expressed in different ways by the Arab Spring and the Indignant Movement in countries such as Spain, Israel, Chile, France, the UK and the USA). Everything seems to indicate that, after the fall of the Berlin Wall and the growing consolidation of democracy as the dominant system in the world, it has become impossible to challenge the idea that the market provides the best model for assigning resources, or to question the idea that the democratic system provides the best tool for civil representation and the harmonisation of political decisions. However, for some, the depth and duration of the crisis and its effect on the increase in poverty and inequality have called into question various basic principles and values that were thought to underpin social cohesion. There is growing public opinion – particularly amongst the young - that the distribution of the fruits of growth and the cost of the crisis has not been fair, and various social groups are feeling increasingly excluded. When asked their opinion about the system they live under these citizens describe it as a failure: corrupt, indifferent and irresponsible. A recent OECD report shows that the distance indicators used to measure inequality have increased over the last few years. In 2008 (i.e. before the most damaging effects of the crisis began to bite), the difference in the average income *per annum* of the richest 10% of the OECD population compared to the poorest 10% received an average value of 9.6% (in the case of Spain, the distance was 12%); the same OECD indicator 15 years ago gave an average of 7.6%: two percentage points lower.

In Spain, as elsewhere, the long-term persistence of inequalities is a contributing factor in the erosion of public confidence in democratic institutions, especially with regard to political representatives. Spaniards appear to be more inclined than the majority of Europeans to favour active redistributive intervention (for the State to play a more active role in providing services for the unemployed and those with least resources), and are more willing to pay higher taxes if these are dedicated to improving the lot of the poorest. Whilst there is insufficient evidence to say definitively that the growing public disaffection with the political class is solely the result of politicians' inability to respond to public demand for greater equality, the experience of other countries

indicates that unequal income and power distribution over an extended period can generate high levels of labour unrest and, in addition, may limit the social legitimacy of governments - including those with absolute majorities - to deal with such situations.

From the start of the economic crisis, the indicators of inequality in Spain have attained the highest levels since the restoration of democracy. The transition from boom to stagnation or recession has serious consequence. Given the weakness of the social safety nets, the dramatic increase in unemployment leads directly to a worsening of the situation for the poorest households and to a highly unequal distribution of the effects of the crisis. The immediate result has been that both the incidence and the intensity of poverty and inequality have greatly increased, mainly because of a steeper drop in income for the poorest household which in real terms have lost far more than richer households. The effect is intensified in households where unemployment affects the main breadwinner, and in the youth sector where a "perfect storm" has brewed up: unemployment rates have soared to almost 50%, starting salaries have been reduced and social mobility has slowed. Poverty in Spain is now more intensive and extensive than at any previous time in the modern democratic era and is becoming chronic.

The National Accounts data at the close of 2011 corroborate all these recessionary trends (GDP fell 0.3% in the last quarter of the year) as well as the reversals in redistribution: falling consumption, rising unemployment and falling wages. The figures provide evidence of the end of a trajectory in Spain that lasted for more than thirty years: at the beginning of the 1980s, the total remuneration of all employees was equivalent to 53% of GDP, meanwhile the gross operating surplus (including company profits and self-employed remuneration) remained at 41%; production taxes took up the remaining 6% of the pie.

In the middle of the last decade, the demands of building the new welfare state (with the addition, for example, of the Dependency Law) increased the tax burden to over 10% of the value added. At the same time, the decline in wage earnings accelerated and reached a record low at the end of last year when wage earnings accounted for only 46% of the value added portion; in contrast -

and equally unprecedented – the proportion of GDP accounted for by company profits reached a high of 46.2%. In order to retain the 53% of value added that was generated by the Spanish economy in the 1980s, Spain would only need nine million employees; to maintain the 48% of 2007, Spain would need the additional income of 18 million wage earners. A paradoxical effect occurred with the eruption of the Great Recession and a growth in job losses: in 2008 and 2009, wage earnings gained weight compared to unearned incomes. On one hand, salaried employees withstood the initial onslaught of the crisis better than others (including the self-employed); and on the other hand, wages pegged to agreements negotiated during the previous period continued to increase even while profits declined. With the economy immersed in another recession, this trend has come to an end: employees' wages (1.1% average increase in the last year) are growing much less than company profits (6.6%), and wage earners, who nowadays barely total 15.7 million, have been hard hit by job losses.

Given these inequality factors, this Report argues that the European social model needs to adjust to the prevailing circumstances of such a deep and prolonged crisis. Today there is an even greater need for a strong, democratically-supported public sector. Furthermore, there should be a regular dialogue between citizens and government – but which includes an adequate margin of manoeuvre for government to introduce efficient regulation and laws that respond to the demands of each particular moment, guarantee quality public services for all citizens and an adequate tax system capable of obtaining the necessary resources. Finally, in these difficult times, the state - particularly in Europe - must have sufficient strength to represent its citizens in the international sphere.

3. The golden strait-jacket

The third explanation for the change in the political trend in Spain was already beginning to be felt in the years leading up to 2010. However, in May of that year, the shift became glaringly obvious when the European authorities in Brussels imposed a radically different economic policy on the Spanish Government which, in various instances, was at odds with what had been

adopted to deal with the crisis up until then. During the night of May 9th 2010, European leaders finally understood that what was at risk was not simply Greece and Ireland or the contagious nature of the volatility of Portugal and Spain, but the survival of the euro itself. Rodríguez Zapatero, who only days before had met with the leader of the opposition Mariano Rajoy at the Moncloa Palace and told him “yes, to the reduction of the deficit, but at a slow pace”, had no alternative than to effect an immediate change to his previous policy. From then on, economic management held sway over the rest of the public agenda and Elena Salgado, the economic deputy-prime minister, had no alternative but to apply the extremely aggressive and emergency surgery demanded by Brussels in exchange for aid in the event of it being required. The first measures included a reduction of the deficit and a drop in public employment salaries and were followed by others that, because of their unexpectedness and the lack of any explanation, left the public in a state of shock. (The European Central Bank, for example, sent a letter to the Spanish Government setting out their demands for the continuation of providing liquidity, which, to date, has yet to be made public). From that moment, the Spanish public became increasingly aware of something that had been the outstanding feature of the 2011 measurement of democracy carried out annually for the Report on Spanish Democracy and based on consultations with a group of experts. Namely, the experts believed that control, without any prior discussion, of the national political agenda by supranational institutions such as the EU, the ECB or the IMF constituted the greatest defect of Spanish democracy. The experts highlighted the foreign interference on the most important political decisions affecting the daily lives of Spanish citizens and stressed the increasing dependence of political power on economic power: representative power was subjugating its decision-making ability to supranational institutions and markets. In a global framework, such a state of affairs imposes a significant limitation on nation states.

The question is how much more Europeanization of national economic policies do we want. Is the path Europeans are following with varying degrees of intensity and coherence (the creation of a mechanism – initially temporary and later permanent – of aid to countries in difficulties, the possibility of a Treasury Department, the ability to issue European mutual bonds, a genuinely shared fiscal policy, etc) compatible with the democratic right of citizens to debate and select the economic policies that best suit their preferences and interests. This

issue has been studied in detail by the Harvard economist, Dani Rodrik, using his famous concept of the '*trilemma*'. The question that Rodrik addresses in "The paradox of globalisation, Democracy and the future of the world economy" is how to manage the tension between national democracy and global markets in a permanent fashion. "We have three options. We can *limit democracy* in order to minimize the costs of international transactions, regardless of the economic and social disruption that the economy may occasionally produce; we can *limit globalisation*, with the hope of strengthening democratic legitimacy; or we can *globalise democracy* at the expense of national sovereignty. This provides us with a menu of options for rebuilding the world economy".

This political choice encapsulates the fundamental political '*trilemma*' of the world economy: it is impossible to have globalisation, democracy and national sovereignty at the same time. At the most, it is possible to enjoy two of the three sides of the triangle. If we want globalisation and democracy, we must abandon the nation-state; if we prefer to keep the nation-state and increasing globalisation, we must give up democracy; and if we want to combine democracy and the nation-state, we must say goodbye to full globalisation. The "*Informe sobre la Democracia en España*" expresses reasons for scepticism based on the doubt that a growing globalisation of European economic policies will serve to increase citizens' democratic control over such policies. Firstly, the EU institutional reforms currently under discussion almost exclusively focus on limiting the margin of manoeuvre for national governments; and secondly, the mechanisms of democratic control at the European level are extremely flawed. So far, the euro crisis has demonstrated that the greater the need to implement coordinated policies across the EU, the greater the temptation of national public opinion to evaluate each and every reform in terms of its own national interest rather than its benefit, or otherwise, for Europe as a whole. These limitations influence governments, irrespective of their ideology, and therefore should be taken into consideration when passing an initial judgement on the PP's Legislature.

In brief, because of the degree of uncertainty that exists about how democratic accountability mechanisms work at the European level there is no reason to be overly optimistic about the public's capability to gain greater democratic control over economic policy via the transfer of national sovereignty to supranational

bodies. In addition, the articulation of interests continues to be pursued at a purely national level; and furthermore, the economic crisis has resulted in a loss of public confidence in the European construction process.

Given that governments' political response to the Great Recession - taken behind closed doors and in defiance of public preferences - has been the adoption of unpopular measures of extreme austerity, a series of key issues are raised about the quality of democracy:

- i) How is it possible that the public lack the ability to influence the response to a phenomenon that has had such dramatic social consequences: a huge increase in unemployment, the impoverishment of the middle-classes and a reduction in the business structure?
- ii) How long will the public tolerate this state of affairs?
- iii) What medium and long-term effects will this de-politicisation have on economic policies?
- iv) Is the uncoupling of economic policies from the preferences that voters express in elections politically sustainable?

4. Indignation

The absence of a thorough-going political debate on the appropriateness of the economic policy decisions which the various European governments (amongst them, the Spanish – both PSOE and PP) have taken in response to the crisis cannot be justified by citing the infeasibility of alternative policies. Even when the limitations imposed on Government action by the degree of internationalisation of the Spanish economy and membership of the euro-zone are acknowledged, other policies could have been adopted whose overall results would not have been worse, but which could have had a different effect on redistribution. Politics cannot be put on automatic pilot. In the final analysis, if the public feels that their well-being depends on uncontrollable variables which are increasingly divorced from national Parliaments and the places where their vote can influence decisions, the level of disaffection may increase and citizens may conclude that it makes no difference whether they participate in public life or not. This is the origin of the 15-M movement that erupted during the last

year and which represented a break with the traditional participatory alienation of Spanish society (a characteristic shared by other Southern European countries). The 15-M movement grew out of various youth platforms (although later was joined by people of all ages) that proposed solutions to unemployment and the lack of prospects and sought to combat the precariousness which condemned them to job insecurity and limited access to housing. They denounced the “dictatorship of the markets” (actually, external limits on autonomous economic policy) and the insufficient – in their view – proportionality of an electoral system that prevented a greater presence of minority parties in legislative institutions (chanting, “You do not represent us” to leaders of the PP and the PSOE).

The ‘Indignant Movement’ (15-M) represents the vanguard of a position that is being expressed more and more frequently and forcefully in the opinion surveys of the *Centro de Investigaciones Sociológicas (CIS)*, namely, that one in every four citizens believes that the political class constitutes the greatest political problem in Spain and that governments do not take the interests of the general public into account. This is a harsh criticism about the quality of Spanish democracy and is not unconnected to the economic situation: if the public feel poorly represented by the legislative and executive powers it is largely because they are conscious of the inability of their governments to solve routine problems, tackle corruption or impose their decisions on economic and institutional bodies that have escaped from democratic scrutiny.

Political parties received a fail rating on the assessment scales: they are the least valued public actors and generate the least confidence. However, they are not alone: trade unions are viewed as being deeply entrenched in their traditions and were taken by surprise at the initial surge of the 15-M movement and the dissatisfaction about them expressed by a sector of civil society. The main trade unions mean little for the most vulnerable sector of the active population. Youth, women and immigrants form the bulk of those most at risk in the active population (unemployed, temporary workers and part-time workers). Despite being the most vulnerable in the labour market, their interests are normally under-represented by traditional collective bargaining. Trade union membership is largely composed of those with permanent job contracts and workers in the public sector who are relatively secure (at least until the implementation of the latest PP reforms) and comparatively better-paid. The

negotiating strategies of the trade unions have been more favourable to the interests of this latter group and this has led to a vacuum in the representation of the interests of a large part of the active population and called into question the representative power of the unions. This lack of confidence can be illustrated by the criticisms voiced against them by supporters of the 15-M movement on several demonstrations where the two coincided. Spanish trade unions are powerful in terms of their ability to call people out on the streets and in trade union elections. However, they are weak in terms of membership and their presence in the workplace, particularly in small and medium-sized companies that represent almost 90% of Spanish productivity, is limited.

Another characteristic of the current period - linked to Europe and figuring among the criticisms of 15-M (but by no means confined to this movement) - is the presence of technocrats in charge of various government: a phenomenon that surfaced just when there appeared to be consensus that the economic crisis had entered the political phase. At the very moment when it seemed that the old continent needed strong political leadership in order to regain its standing in the world and when the public still believed in the project of more Europe and closer integration, unelected leaders were placed at the head of various countries in dire economic straits. The EU entered a "*Lopez Rodo* stage" (a technocratic and modernising politician during the Franco regime) to solve their problems.

At the time, the markets had generally welcomed Berlusconi's resignation (prompting a reduction in risk premiums) and the appointment of ex-European Commissioner Mario Monti as the new Italian prime minister. Another technocrat, Lucas Papademos, was greeted with more reservation as the person to guide Greece through the difficult period of implementing the extremely harsh economic adjustment package before the Greek general elections, which could result in – paradox of paradoxes – the return to power of the same politicians that had earlier hoodwinked the European Commission by cooking their country's books. Technocrats are no pure spirits; but as the politicians they replace and as all citizens, they have their own interests and ideology and use their power to implement particular economic policies. The dominant economic policy of recent times has been dictated by the duo Merkel/Sarkozy (popularly known as *Markozy*) and has consisted of large doses of austerity for

the Southern European countries in return, purportedly, for the salvation of the euro-zone. It should not be forgotten that, in addition to the two mandates mentioned above, the majority of government leaders in Europe today belong to the ideological right, including those who head EU Government bodies (Duraõ, Barroso, Van Rompuy, and Mario Draghi). The French economic critic Jean-Paul Fitoussi ("Democracy and the Market"), expressing himself allegorically, writes "The crisis says to the losers, we lament your fate but the laws of the economy are merciless and you must adapt to them by reducing the amount of protection that you still possess. If you want to get richer, you must first accept greater precariousness; this is the way (the new social contract) to get back on track".

Monti has spent an important part of his career working for the European Commission where he was the scourge of monopolies; Papademos worked for the Greek central bank and the ECB. When not employed in public positions these two sought refuge in academia and university think-tanks. The documentary film "Inside Job" suggests that in order to avoid any deception academic economists and technocrats who comment in the media and produce reports for institutions should publically disclose their links with, or payment from, any company or sector they advise, as well as the universities for whom they carry out research. In late 2011, students on an introductory economics course at Harvard University walked out of a class given by the economist Gregory Mankiw and subsequently published a letter explaining that their protest was prompted by their teacher's continuing bias in favour of a particular economic ideology (advocating further market de-regulation). Mankiw is not only the author of one of the best-selling macro-economic textbooks sold throughout the world but was also the chief economic advisor to George Bush.

The co-existence between democracy and unelected power (the technocrats) is not a comfortable one. The creation of contra-majority powers (such as central banks and constitutional tribunals) arises from a single fear: that the unlimited power of a government with an absolute majority could pose a threat to the political system. The delegation of power to these types of bodies can be viewed as imposing a self-restraint on democracy for the sake of its own survival. The advantage of having technocrats taking certain decisions rather than politicians is that the former are unconstrained by political pressure to bend to the will of the majority, hence, they are able to adopt unpopular measures that may

benefit public interests but which politicians would rarely dare to introduce for fear of electoral defeat. Nevertheless, this form of delegated power offers no guarantee that the decisions taken by technocrats are those that are best-suited to the public good nor, in the event that they turn out to be detrimental, that the public can vote them out of office. By contrast, if politicians make serious errors, the electorate can reject them at the polling station. Moreover, the control imposed by the electoral system gives governments the incentive to govern according to the will of the electorate. With government by technocrats the absence of this incentive leaves citizens with no alternative other than to trust in their good faith, knowing that their leaders cannot be held accountable for the consequences that their actions might have on the general interest.

5. Corruption and electoral punishment

We have referred earlier to the criticisms of corruption that were voiced by the 15-M movement – amongst others. In the eyes of the public, this phenomenon is one of the main contributors to the deteriorating image of politicians. Year after year, the Report on Democracy in Spain has examined the presence of corruption in Spanish public life and concluded that Spain is a relatively corrupt country compared to its neighbours. Although corruption is not very widespread (relatively few people are implicated), large sums of money are involved affecting peripheral administrations rather than the central state administration. However, the perception of this corruption had an extraordinarily strong impact in Spain during much of 2011. In Chapter 4 of the Spanish language edition of this year's report, we examine the mechanisms that allow corruption to exist in Spain. Some analysts (Fernando Jiménez and Vicente Carbona, *Anatomía de la corrupción en España*, Letras Libres, February 2012) have condensed the image of corruption into a table containing six elements drawn from a representative number of court records dealing with such crimes (the quotations are taken from conversations that appear in these summaries):

- i) What is sought from the corrupt exchange?
Personal enrichment; but in some cases there are other motives.
- ii) What concept of public office do the corrupters hold?
“Public service” is seen as an opportunity allowing someone to “obtain the key” to satisfy determined personal interests.

- iii) The concept of public office as an opportunity has a corollary: if you do not take advantage of this opportunity, you demonstrate an incredible streak of stupidity ("*gilipollas*").
- iv) The idea of impunity: the corrupters consistently make use of the idea that nothing will happen ("*no pasará nada*"), assuring politicians that they will get away with it and that the intermediaries - the 'brokers' - will take care of everything.
- v) Taking advantage of public office is conditional on exercising a certain caution; if you appear openly as a predator you will probably not remain long in office. Therefore, if a person wants to enjoy the fruits of corruption for any extended period, it makes sense to widen the circle of beneficiaries, to expand the list of those benefitting from corrupt exchanges.
- vi) The sixth argument taken from the recordings transmits the idea of the inevitability of corruption: the idea that it is normal to behave in such a way in our society: that it would be bizarre to act otherwise.

In recent years in Spain there has been a considerable increase in concern about political corruption, evidenced by greater media attention and the growing prominence given to it by citizens. There is also a shared notion – which is not entirely correct – that corruption is not sanctioned in the urns. For example, in the municipal elections of 2011, analysis indicates that there was indeed a certain electoral sanction regarding corruption scandals: support declined for parties affected by accusations of corruption. However, in many cases this decline was not sufficient (herein lies the basis for the idea that corruption goes unpunished in the urns) to prevent the re-election of the majority of mayors involved in political scandals.

Of all the factors that can influence the effect of corruption on voting behaviour we will examine three. Firstly, although mayors accused of corruption who did not apportion benefits to the local community were punished in the urns, those who committed irregularities which did in some way benefit the voters received on average even greater support than mayors who were not accused of any crime. Secondly, corruption scandals that came to light prior to 2012 resulted in a greater loss of electoral support than more recent cases which appeared to have no electoral

consequences. Thirdly, it would seem that having an absolute majority or the fact of standing for re-election had no repercussions on the surrender of democratic accountability.

Thus, given that the electoral cost of corruption creates incentives for more honest behaviour, elections potentially provide an effective mechanism for controlling political representatives; corrupt behaviour has also proved to be an obstacle for the re-election of dishonest politicians. Nevertheless, the mechanism's effectiveness depends on external circumstances that, in some instances, result in the reward of malpractices. Only by legal action, internal control of political parties and the civil service, and a greater amount of political participation will it be possible to eliminate corruption from Spanish public life. An instrument that has implications for the degree of public political participation, which exists in the majority of EU countries but not in Spain, is cheap and easy access to information. A Law of Transparency and Public Access to Political Information was approved by the Council of Ministers in July 2011 but fell by the wayside when the date for the general elections was brought forward.

6. A balance of the two socialist legislatures

This fifth annual Report on Democracy in Spain has drawn-up an initial balance sheet of the two socialist legislatures presided over by José Luis Rodríguez Zapatero. The first began with the recall of Spanish troops from Iraq – an immoral and unjust war - and the second ended with ETA abandoning terrorist activities but with more than 5 million on the dole. On the night of the first socialist victory on March 14th 2004, Zapatero was acclaimed with shouts of, “Don’t let us down!” However, seven and a half years later he had to confront demonstrations of the movement of the *'indignados'* chanting, “You call this democracy, but it’s not!” and “You don’t represent us!”. Such slogans graphically illustrate the amount of wear and tear suffered by the socialist project during those years.

The first legislature focused with more or less success on the grand political debates related to the regional model, civil and social rights, the independence of publically-owned media (one of Zapatero's greatest achievements), negotiations with ETA, historical memory.... In the second legislature all these issues were swamped by the grave economic crisis and its consequences in terms of unemployment, the reduction in disposable income for a large number of Spaniards, the demise of hundreds of thousands of small and medium-sized businesses and the attempt to find a way to overcome difficulties that were unprecedented for the generation that held power (both in government and opposition). Zapatero began by taking a defensive position on the Great Recession, but was soon overtaken by events. He lost touch with public opinion because of his resistance to recognise the depth of the problem and for making endless predictions and diagnoses that had little to do with reality and which were rapidly denied by the facts. From May 2012, when the 'golden strait-jacket' imposed by membership of the euro-zone and external pressures on economic and social policies could no longer be ignored, Zapatero adapted to the new circumstances and reinvented himself as a reformist politician. He became an advocate of strict budgetary discipline and structural reforms that collided head-on with the policies that he had been developing up until then. Without any public explanation for this change of direction, his about-turn was not understood by the public and, when the time came to cast their vote, many who had supported his original project either abstained or swelled the ranks of other parties of the left or the right, including the PP.

In an examination of the quality of democracy during these two legislatures it is impossible to ignore the role played by the main opposition party. The PP employed a strategy of confrontation to de-legitimize Government action, even questioning the first socialist electoral victory which some PP leaders attributed to the commotion caused by the Madrid terrorist bombings of March 11th 2004. At the same time, together with the right-wing media and judiciary, the PP organised a brutal campaign (often directed against Prime Minister Zapatero himself) blaming the Government for the failed peace process initiated by the regional Basque government. They also lodged appeals with the Constitutional Court against much of the civil rights legislation and the reform of the Statute of Catalonia. In addition, they organised protests against the introduction of the subject of citizenship education in schools (one of the first measures to be annulled by Mariano Rajoy's new Executive) and raised an outcry against the

law on historical memory. Most damaging of all, however, was the fact that they voted against the adjustment plan of May 2010, ignoring the fact that their action put Spain at risk of being subjected to the sort of intervention suffered by Greece, Ireland and Portugal. Whilst the socialist Government was incapable of assuming the nature and depth of the crisis until tens of thousands began to be expelled from the labour market every month, the PP continued to turn a blind eye to it, including during the electoral campaign that resulted in them gaining an absolute majority on November 20th 2011. Rajoy's first steps as leader of the Government were thoroughly inconsistent with the PP's position up until that moment: he increased, rather than reduced, taxes, lowered the cost of redundancies after he had vehemently denied that the PP would do so and reacted with phony outrage whenever questioned about the issue. He also overstepped the deficit rate after complaining to Brussels about the impossibility of keeping to it, having earlier solemnly pronounced on his commitment to abide by it, referring to its 'sacred' nature.

Public opinion blamed the socialist Government directly and the Prime Minister in particular for the mismanagement of the crisis and the disastrous economic results that were its consequence (an unemployment rate exceeding 22%, even though the electoral programme of 2008 – when the crisis was already evident – promised full employment). The electoral rejection of the PSOE was very harsh, with a fall in members of parliament from 169 to 110 and a loss of 15 percentage points in votes. Spain is now embarking on a new era, with the structures of municipal, regional and central power overwhelmingly dominated by the right.



Global economy and democracy

1. 2011: The recuperation that never was

2011 was a year of upheaval for the Spanish economy. Up until May 2010, the Government had been experimenting with fiscal stimulus policies that sought to reverse the continuing deterioration of economic conditions that had been experienced since the middle of 2008. However, beset by rising deficits and the increasing difficulties of financing the national debt, from then on the Government decided to radically alter their economic policy and adopt an ambitious fiscal adjustment plan based on minor tax increases and, above all, strict fiscal restraint. During the course of 2011, this policy was revealed on one hand to be of little use in containing the uncertainties of the debt markets and on the other hand as the partial cause of the abrupt ending of the trend towards economic recovery.

Graph 1 shows that the ending of the ephemeral recovery was not confined to Spain (from mid-2010, almost all European economies experienced a halt to the improvement in growth rates). What was peculiar to Spain was that the stabilisation of the growth rate occurred at a significantly lower level than the average for euro-zone countries.

Graph 1

Economic growth 2007-2011

Spain

Euro-zone

Source: National Institute of Statistics (INE)

The public deficit, which had reached its maximum level at the start of 2010, fell in 2011(although at a slower rhythm than expected) as a result of the worsening of the economic crisis and aggravated by the contractive effects of the plan itself. Graph 2, together with the evolution of public deficit, illustrates the development of public debt and its distribution amongst the different levels of public administration.¹ This debt continued to increase at a moderate rate whilst remaining at a comparatively low level (in 2010 the euro-zone average was 85.4% of GDP and that of Germany stood at 83.2%). Contrary to popular perception, public debt was overwhelmingly concentrated in the central state administration even though nowadays the autonomous regional administrations control a similar amount of public expenditure.

Graph 2

Public Administration deficit and debt

Central administration

Regional administrations

Debt (% of GDP)

Deficit (% of GDP)

Source: Bank of Spain

The fiscal consolidation plan introduced in May 2010 was unable to contain tensions in the sovereign debt markets although, unlike the successive cases of Ireland, Greece and Portugal, it did manage to stave-off the need for a Spanish rescue package. As Graph 3 demonstrates, tensions in the debt markets from the summer onwards had greater repercussions on Italian rather than Spanish debt in terms of confidence in the sustainability of the debt conditions. Meanwhile, the flight of funds to more secure investment opportunities provoked an even greater drop in Germany debt. Graph 3 also shows how in little more than two years the national treasuries of the four biggest economies in the euro-zone had shifted from being considered similar by the markets to being financed at vastly differing rates.

¹ Data for the 4th quarter of 2011 corresponds to the estimates of the European Commission.

Graph 3

Financing costs of the four main euro-zone economies

Interest on 10 year State Bonds

Spain

Italy

France

Germany

Jan. 2010

Jan. 2011

Jan. 2012

Source: Bloomberg

Much has been written about the basic causes of the instability in the debt markets that provoked the rise in national premium risk rates (the difference in interest rates between the bonds of other countries and the German bond). According to the dominant view of the European 'establishment' - cited as the justification for the adjustment plan of May 2010 - these spreads reflected the lack of fiscal discipline in the peripheral states of the EU. Faced with the supposed inability of these countries to balance their public accounts, market fears about their ability to finance debt increased. Undoubtedly, for a debt-financing crisis to exist there has to be a debt that needs financing, and as the size of the debt increases so does the probability that markets begin to lose confidence in the ability of the country in question to meet its cost; but this explanation is insufficient. Based on this interpretation, it is difficult to explain how Britain, with a ratio of public debt to GDP of 82.3%, a GDP deficit of 8.8% and a growth rate of 0.9%², is capable of financing its debt at a lower cost than that of Germany. Or how fiscally solvent countries like Finland, which according to the orthodoxy on fiscal stability is a model of public accounts management (Finland is the only member of the original euro-zone that has scrupulously respected the 3% cap on deficit throughout the life of the euro), began nevertheless to experience a significant rise in the costs of financing its public debt in late 2011.

² 2011 figures

As many analysts have pointed out³, the basic cause of these tensions is to be found in the dysfunctional design of monetary union. Unlike countries whose indebtedness is incurred in their own currency, the treasuries of European countries lack an institution that can act as lender of last resort⁴. The lack of this guarantee has two consequences. Firstly, it magnifies any increase in the difficulties of debt financing, since in the eyes of the markets the lack of a lender of last resort augments the likelihood of non-payment. And secondly, sovereign bond sales in countries where doubts surrounding their solvency increases the price of financing – a type of self-fulfilling prophecy – leads to the probability of a failure to repay their debt in the future. It is no coincidence that the escalation of tension in the European debt markets occurred simultaneously with the rise in interest rates decreed by the European Central Bank on April 7th 2011. Given the economic stagnation in Europe, the unexpected tightening of monetary policy at that moment signalled to the markets that the ECB stood firm by its decision not to act as a lender of last resort for troubled national treasuries and inevitably led to escalated tension in the sovereign lending markets⁵.

In summary, the adjustment plans implemented throughout the euro-zone to contain the deficit (including that of Spain) failed to reduce the cost of financing debt and contributed to ending the first modest improvement experienced by European economies since the collapse of 2009.

³ For a simple demonstration of this arguments, see Grauwe (2011).

⁴ For this reason many economists agree that from a market point of view the countries of the euro-zone, on entering the third phase of economic and monetary union, automatically acquired the status of developing countries in so far as they were borrowing in a currency whose issue was no longer under their control.

⁵ The ECB based its refusal on a restrictive interpretation of the treaties, which explicitly precluded the buying of national debt in primary markets. However, particularly since the summer of 2011, it has in fact carried out indirect operations, such as the purchase of debt in the secondary markets and providing liquidity to financial institutions, thus increasing the demand for bonds and reducing the rates.

2. The economic consequences of the adjustment

As expected, the intensification of the fiscal adjustment had contractive effects that were demonstrated in 2011 by an accelerated decline in domestic demand. These effects were partially offset by a better performance in the external sector (Graph 4), which, although it remained in deficit, reduced the Spanish balance of payments figure.

Graph 4

Internal and External demand 2009-2012

Inter-annual variation %

Internal demand

Exports

Imports

Source: National Institute of Statistics (INE)

These contractive effects were undoubtedly exacerbated by the particular form of the adjustment plan, which focused almost exclusively on a reduction of public expenditure. During the first phase of the crisis (2008-2009), there was much discussion about the virtues of different stimulus policies (tax cuts versus expansion of public spending). While conservative economists defended the expedience of tax cuts, most economists appeared to conclude that, given the current circumstances, the multiplier effect of each additional euro of public spending (*i.e.* the overall size of the stimulus) was substantially greater than that of each additional euro in tax cuts (essentially, because tax cuts, instead of encouraging consumption, would be devoted to increasing private savings). As a consequence of this debate, the stimulus packages adopted by most Western economies (including Spain) were a response to the first onslaught of the crisis and focused on expanding public spending. Specifically, they centred on 'shovel-ready' projects, *i.e.* spending programmes that would involve immediate budgetary disbursement and which did not require an initial planning period.

Surprisingly, the belief that government spending was more effective for stimulating the economy than tax cuts disappeared at a stroke when, in 2010, the moment arrived for tax adjustments. Unless you believe in the existence of what Paul Krugman in his column for the *New York Times* calls the “confidence fairy”, any reduction in the deficit tends to have contractive effects on the economy.⁶ Furthermore, for the same reasons that sustain the idea that stimulus via spending is more effective than stimulus via tax cuts, it would be expected that an adjustment via spending would cause the economy to shrink more than an adjustment via income. Nevertheless, the deficit reduction plans of European governments depended mainly on a reduction of public spending. Graph 5 uses data from the Economic Outlook Report of the OECD of December 2011 to show the proportion of public spending adjustment estimated for 2011-2013 in relation to the total fiscal adjustment planned for OECD countries with an expected improvement in the primary balance (the difference between income and expenditure before payment of interest on debt) exceeding 2% of GDP.⁷

Graph 5

Proportion of Fiscal adjustment relating to reduction of public expenditure

Great Britain

Ireland

Rep of Slovakia

⁶ A controversial study by Alesina & Ardagna (2009) that questions the existence of contractive effects of fiscal adjustments resulted in a heated debate about the effectiveness of fiscal policy in the context of the current crisis. Later studies by the IMF (Gaujardo, Leigh & Pescatori, 2011) question the methodology of this work (essentially, the strategy used by Alesina and Ardagna to identify budgetary adjustments is problematic) and support the ability of fiscal policy to act as a stimulus tool. Almunia et al (2010) emphasise the effectiveness of fiscal policy given the constraints facing monetary policy in a crisis such as the present one. Most of the literature arrives at a similar conclusion. Romer (2011), after thoroughly reviewing the literature, concludes, “We have more evidence than before that fiscal policy is effective” and that, given the strength of this evidence, “the issue should now be considered closed”.

⁷ The purpose of this threshold is to restrict the sample to countries with fiscal adjustment plans of a certain magnitude.

Spain
Portugal
Rep of Slovenia
France
Iceland
Australia
Greece
Italy
Poland
Hungary

Countries with greater expectations of obtaining primary balance >2% of GDP
(2011-2013)

Source: OECD Economic Outlook, December 2011

What reason was there for the change in the orientation of fiscal policy philosophy with respect to the stimulus plans? One possible explanation is that governments believed that markets would view the commitment to spending cuts as more credible and permanent than an increase in revenues. Another explanation might stem from the results of some empirical evidence⁸ showing that income tax adjustments can be less contractive because monetary authorities tend to respond to a reduction in spending with expansionary monetary policies but respond to an increase in taxes with more restrictive policies, particularly if these taxes are on consumption and lead to higher prices. However, these findings are hardly applicable to the current European situation where the indirect effect of fiscal adjustment in monetary policy is less likely to occur. This is primarily due to the fact that given the low starting rates of interest the margin of manoeuvre regarding monetary policy is severely limited. More importantly, it is difficult to imagine that the actions of one single country could determine the monetary policy of the ECB, which implements a single policy for all seventeen members of the euro-zone.⁹

⁸ Chapter 3 of the IMF World Economic Outlook 2010 studied this issue in detail.

⁹ In fact, studies examining the effect of fiscal policy on economic activity in the context of monetary union (where, by definition, these secondary effects of fiscal policy on monetary union cannot exist) find that incentives via spending are particularly significant (Nakamura & Steinsson, 2011).

Whatever the root causes of this shift, Graph 5 clearly demonstrates that the general trend is to base fiscal adjustment on reducing the size of the public sector rather than on increasing tax revenues. The average adjustment in the group of countries represented by the vertical line in Graph 5 was for two thirds of the adjustment to be based on spending cuts and only one third on an increase in revenues. From a comparative perspective, Spain's position was noteworthy: Spanish adjustment relied on a 90% cut in public expenditure. Only adjustments in the Slovak Republic, Ireland and the UK (which combined cuts in public expenditure with a reduction in revenues, making the proportion corresponding to spending more than 100% of the adjustment) placed greater emphasis on spending cuts than Spain.

The absence of any clear economic rationale for favouring adjustment via spending cuts over increasing revenues is at odds with the indisputable distributive consequences associated with alternative ways of reducing the budget deficit. Depending on the type of tax increased, an adjustment via revenue is made at the expense of wage earners and consumers; while an adjustment - such as adopted in Spain - based on a reduction in spending will penalise the beneficiaries of state benefits and services. This indisputable distributive dimension of budgetary stabilisation should have triggered a political debate on the allocation of the burden of adjustment between different social groups. However, in Spain where the adjustment rested almost exclusively on spending cuts, the policy was implemented with scarcely any debate between the economic policy-makers.

3. The social cost of the crisis

The consequences of the prolongation of the economic crisis were devastating for the labour market. According to the Labour Force Survey unemployment reached 21.52% of the work force in the third quarter of 2011. The persistence of these high rates of unemployment will have incalculable repercussions. In late 2011, almost half of the five million unemployed had spent over a year looking for work, and a quarter of them, more than two years (Graph 6). This

prolongation of periods of unemployment has two particularly grave consequences. Given that long periods of unemployment and inactivity are associated with a deterioration of human capital, the first consequence is linked to the future employability of a significant proportion of the workforce. Secondly, long-term unemployment means that a social protection system based on unemployment benefits can no longer act as a safety net to protect the falls in income caused by job loss, thus compounding the problems of poverty and social exclusion. The fact that the forecasts for 2012 and 2013 are anything but optimistic (the OECD predicts that unemployment in Spain will be 22.9% of 2012 and 22.7% for 2013) signifies that in the medium term these problems will escalate.

Graph 6

Nº of unemployed (in thousands) multiplied by time spent searching for work 2010-2011

Less than 6 mths

6mths - 1 year

1 – 2 years

More than 2 years

Source: INE, Labour Force Survey

Graph 7 demonstrates that those on temporary contracts were the first to be affected by the crisis; the number of contracts dropped sharply in 2008. However since 2009, there was a net destruction of permanent contracts in all four quarters; during 2011, in spite of the labour reform approved in the autumn of 2010 originally aimed at encouraging permanent recruitment, this destruction accelerated. Since 2009 therefore, workers on permanent contracts were no longer protected from the effects of the crisis and indeed, in the last year, were the ones who suffered the greatest job losses.

Graph 7

Evolution of employment according to type of contract 2008-2012

Number of contracts by quarter – number of contracts compared with number in the same quarter of the previous year

Permanent

Temporary

Source: INE Labour Force Survey

As a result of this negative trend in the labour market, the indicators of poverty and social exclusion, which had worsened in 2010, continued to fall at an alarming rate in 2011. According to the INE Survey on Living Conditions, the poverty rate (the proportion of households living on an income below 60% of median income¹⁰) reached 21.8% of the population in 2011. An examination of the proportion of the population “at risk of social exclusion” (using the definition employed by the EU’s 20/20 strategy) indicates that as a result of the crisis Spain, which until 2008 had had a lower rate than the European average, now has a significantly higher one (Graph 8).

Graph 8

Poverty rate and risk of social exclusion in Spain and the EU

% of households with less than 50% of average income

Poverty rate

Spain

% of poor households with no employment and severe material deprivation

Definition: EU-Agenda 20/20

% at risk of social exclusion

EU

Source: INE, Living Conditions Survey

¹⁰ According to the 2011 definition, a household composed of two adults is poor if their incomes amount to less than €1,300 p.a.

4. Responses to the crisis and democracy

The severity of the economic crisis and its prolongation has had profound social consequences. Nevertheless, the economic policies imposed by the authorities have scarcely been the subject of public debate and - despite the fact that they have served to distribute the cost of the adjustment between social groups in a determined manner - they have received even less democratic agreement. Voters' assessment of this procedure has been devastating for many governments; in Spain, as in neighbouring countries, the electoral punishment inflicted on the party in power - up until November 2nd 2011, the PSOE - reached unprecedented proportions. What explains governments' adoption of these unpopular policies?

There are two sources of pressure normally cited by policy-makers to justify the adoption of such policies. They claim, on one hand, that dependence on the external financing needed to bridge the gap between revenue and expenditure obliged the State to adopt the policies demanded by the markets in order to lower the cost of this funding; and on the other hand, they point out that governments within the European Monetary Union enjoy very little room for manoeuvre when it comes to key aspects of economic policy.

While acknowledging the constraints imposed on economic policy by these two factors, there is no reason to conclude that there were no alternatives to the economic policies implemented. This is primarily because, although it is unknown how markets would have reacted to these economies if they had adopted different adjustment plans, on balance it is difficult to maintain that the plans adopted met with any great success. Indeed, the depressive effects that successive plans had on specific economies have helped to obstruct the sustainability of public finances that these very plans were supposed to secure, thus providing the reason for their limited success in lowering the cost of credit for peripheral European economies. In fact, far from being a response to new adjustment plans, all the recent drops in tensions related to sovereign debt risk premiums since early August 2011 have been due to the ECB intervention of buying bonds of countries in difficulties in the secondary markets, and

subsequently - since the end of December 2011 - by providing banks with unlimited liquidity.

Secondly, there have been considerable national variations in the combination of economic policies adopted to reduce public deficits (and therefore in the distribution of the burden of adjustment among different social groups), as demonstrated by Graph 5. Neither pressure from the credit markets nor the constraints imposed by the EU can account for the variation in the size of the adjustment and, above all, for country variations in the distribution of the burden. In the current situation, the lack of debate over the costs and benefits of different options cannot be wholly blamed on the restrictions imposed on the autonomy of national macro-economic policy.

Although there is no evidence to suggest that alternative policies with different distributive consequences would have necessarily resulted in worse economic performance than those experienced, one reason that has been given for the absence of public debate is that the severity of the crisis required governments to prioritize policies that were more likely to restore immediate economic growth, even though they might have undesirable consequences. However, given the amount of concern over the issue of the distribution of the burden, public opinion appears not to have accepted this argument. In a representative survey of 1,500 people conducted in November 2010¹¹, a question was asked about what the Government's priority should be: to take action to increase economic growth even if this meant that those responsible would not shoulder their part of the responsibility for the crisis; or that those responsible for the crisis paid their share of the cost even if this meant a reduction in Spain's economic growth. It was striking that two thirds of the sample chose the second option. Graph 9 gives the percentages of support for the second option as a function of the ideological preference of the interviewee. While no ideological group considered that increased economic growth should be awarded priority, the proposition most popular for those on the left was that priority should be given to ensuring that those responsible for the crisis paid the cost of its resolution. Thus, there was neither one single form of distributing the burden of

¹¹ For more details on the survey and the sample composition, see: Fernández-Albertos, Kuo y Balcells, 2012.

the costs of adjustment nor did the population feel indifferent about this issue, even in a crisis as severe as that of Spain.

Graph 9

Preferences on economic growth and the distribution of the costs of the crisis

% that preferred that those responsible paid the cost

Average

Left

Centre left

Centre

Centre right

Right

It is more important that the Government ensure that those responsible for the crisis pay their share of the cost for increasing economic growth.

Source: Survey conducted by Netquest in November 2010. See: Fernández-Albertos et al, 2012

5. Is Europe the solution?

It is certainly true that membership of the Economic and Monetary Union (EMU) restricts the ability of a country to adopt effective anti-crisis policies (such as a devaluation of the exchange rate that would restore the competitiveness of a national economy). It is also the case that the integration of the Spanish economy into the neighbouring environment reduces or even eliminates the effectiveness of various policies (for example, part of an economic stimulus gained by increased public expenditure would be 'exported' to other countries, whilst the costs would be assumed solely by the country financing the increase). For many, a recognition of these problems means that any solution to the economic crisis in Europe must necessarily signify a greater and improved

coordination of national economic policies at a supra-national level. Obviously, the problem is that there is no single way to coordinate the macro-economic policies of each country and that every policy will have distinct distributive consequences. Although the proposed reforms to date have focused almost entirely on ensuring fiscal discipline in euro-zone member states – by approving legislation on tax regulations and establishing instruments to sanction defaulting countries - the coordination of economic policies could take many different forms. For example, many have argued in favour of setting-up a European Treasury with the capacity to issue debt, or for the creation of a genuine European tax policy which would consist of more than merely imposing limits on individual member countries.

Regardless of the form that the Europeanization of economic policy finally takes, in terms of democratic control we should consider what degree of greater supranational coordination increases open debate amongst European citizens and enables them to democratically choose the economic policies they prefer. A good conceptual framework for understanding the problems that economic globalisation imposes on democratic governance is provided by the work of the economist, Dani Rodrik (2011), famous for his political theory of the '*trilemma*' of economic integration. According to his '*trilemma*', societies cannot simultaneously enjoy i) full integrated international markets, ii) democratic governance, understood as majority social support for relevant political decisions, and iii) take democratic decisions within the framework of a national political structure (the 'nation-state'). Graph 10 shows these three elements and examples the three possible combinations that combined two of the elements and renounce the third.

Graph 10

The political '*trilemma*' of Rodrik on economic integration

Democracy

Global federalism

Bretton-Woods compromise

Deep economic integration

Golden straitjacket

Nation-state

Source: Adapted from Rodrik (2011)

The first possible combination is to maintain the nation-state and the commitment to market integration, but to abandon democracy as a way of decision-making. The historical example that best illustrates this option is the economic order before the First World War. This was a period when the growing intensity of the international goods markets was compatible with national sovereignty, although at the expense of isolating governments from the demands of their citizens. Obviously, this combination is least desirable in terms of democracy but possibly the one that best serves to describe the recent phenomenon of technocratic governments that have not been directly elected by the citizens. The second combination is to sacrifice the extent of market integration in order to make the nation-state compatible with democracy. This, according to Rodrik, was the political formula adopted by Western countries after the end of World War II. The international order ordained at Bretton-Woods can, in fact, be interpreted as an attempt to strengthen Western democracies by curbing economic internationalisation (via the imposition of controls on capital, procedural controls of trade liberalisation, etc). The subsequent erosion of these restrictions and the supposed inevitability of economic globalisation in recent decades have forced societies in recent times to choose between an undesirable loss of democracy and a third option: democracy on a global level. The attempt to create supranational political structures in Europe has come closest to this possibility. However, even in this case, Rodrik himself is very sceptical about the actual feasibility of such a solution, mainly because policy preferences are still articulated at a national level.¹²

Although the EU has institutions like the European Parliament that can channel citizens' demands to the Community's decision-makers, it is doubtful whether growing supra-nationalisation on economic policy will serve to increase citizens' democratic control over this policy area - at least in the short-term. In the first place, the EU institutional reforms being discussed at present, focusing almost exclusively on limiting governments' margin for manoeuvre, do not appear to be directed towards strengthening democratic participation in decision-making; and secondly, the mechanisms of democratic control at the European level are

¹² Rodrik not only considers this option as politically undesirable but also undesirable in practical terms largely because it restricts the ability of societies to respond in a flexible and decentralised fashion to similar problems (Rodrik 2011, Chapter 10).

highly imperfect. Even in the unlikely event of an immediate and broad transfer of power to make elected European institutions such as the European Parliament more democratic, what capacity would European citizens have to control EU actions when its Parliament does not have a majority government for citizens to sanction (or reward)? And how will Europeans articulate their demands when decisions emerging from the European institutions have strong distributional consequences that benefit some member countries while prejudicing others? Is there not a risk that such European policies will, in fact, contribute to nationalising the debate on economic policy, making the articulation of interests at the community level more problematic? The recent euro crisis demonstrated that the more necessary it is to introduce coordinated policies covering the whole of the Union, the greater the temptation for national public opinion to evaluate each policy or reform, not from the point of view of how it might benefit or prejudice Europe as a whole, but from the standpoint of how it would affect its own country.

In any case, perhaps the most powerful reason to be sceptical about the short-term supra-nationalisation of democracy is that in a European context citizens are now more dubious about such solutions. Graph 11 shows the evolution of trust in the EU over the last decade using data from two Euro-barometers¹³: one conducted just a few months before the physical introduction of euro notes and coins (2001), and the other, ten years later, in 2011. In 2001, an average of 53% of people in the EU-15 (the group of countries for which data is available for the whole period) had confidence in the EU, and only 33% did not. Ten years later in the same group of countries, the average of those with misgivings about the EU exceeded those who were in favour of it (47% compared with 44%). In terms of the variable represented in the graph, the net confidence (percentage of people who confided in the EU minus the percentage who distrusted it) had fallen by an average of 23 points.

¹³ These Euro Barometers conducted a survey using the same questionnaire on a representative sample of the populations of all member states.

Graph 11

Change in the confidence bestowed on the European Union 2001-2011

Difference in net confidence (% who confide - % who do not confide) between 2011 and 2001

Spain

EU average

Euro-zone

Non euro-zone

Source: Euro Barometer 56 (2011) and Euro Barometer 75 (2011)

The graph also shows that, together with this generalized fall in confidence, there are notable differences between countries. Spain is in fact one of the countries where confidence in the EU has fallen most during the period since the creation of the euro-zone. If, in 2001, 66% of Spaniards confided in the EU and only 24% did not; by 2011, only 39% confided in it while almost a half (49%) did not. Of the countries that were EU members in 2011, only Greece suffered a worse deterioration than Spain in its population's confidence in the EU. Furthermore, if we compare groups of countries, the graph shows an overall drop in confidence in all countries that formed part of the euro-zone in 2001 (with the exception of Finland), whilst the confidence in EU member states outside the euro-zone either only dropped slightly (UK) or had significantly increased (Denmark and Sweden). Given this data it would appear that the single currency project, one of whose goals was to 'integrate Europe', has paradoxically achieved this hoped for unity amongst the countries that joined the euro-zone by increased levels of distrust in the process of European integration.

Graph 12 offers a possible explanation for this result. The assessments made by Europeans regarding the EU management of the crisis seemed to be negatively influenced by their country's membership of the euro-zone. In the case of Spain, this critical view of the EU with respect to the crisis was even greater.

Graph 12

Perception of the effectiveness of the EU in managing the crisis

Has the EU acted effectively in combating the crisis?

Spain

Euro-zone

EU non-euro-zone

Effective

Not effective

Source: Euro Barometer 75 (2011)

In short, there is no reason to be particularly optimistic about the ability of citizens to claim a greater degree of control over economic policy via the ceding of sovereign power to supra-national bodies. There are several reasons for this that will not be easy to solve in the short to medium term and which encompass uncertainty about how the mechanisms of democratic accountability would operate at the European level, the fact that the articulation of interests may continue at an almost exclusively national level and that the economic crisis has made people lose confidence in the process of European integration.

Conclusions

1. The international economic crisis that hit Spain in 2008 continued to have an adverse effect on the Spanish economy in 2011. This was the first year in which the effects of the austerity policies adopted in mid 2010 began to be fully felt. Thanks to these adjustment measures, Spanish debt just managed to weather the pressures from the credit markets, which were affecting all the euro-zone economies, but the recessive effects of the adjustment ended the slight improvement in the 2011 growth figures.
2. The prolongation of the crisis continued to exacerbate its social consequences: unemployment (especially long-term unemployment) continued to grow, poverty increased, and the State's ability to meet growing social needs and demands declined.

3. The policy response to the crisis - the adoption of unpopular policies, taken behind closed doors and at odds with the wishes of the public – has raised a number of fundamental questions about the functioning of our democracy. How is it possible that the citizens have no ability to influence the authorities' response to a phenomenon that has had such dramatic social consequences? How long will the public tolerate this phenomenon? What will be the medium and long term consequences of this 'de-politicisation' of economic policy? Is the gap between economic policy and the wishes of the voters expressed in elections politically sustainable?
4. In this chapter we have argued that the absence of democratic debate on the suitability of policy decisions - on the pretext of the impossibility of alternative economic policies - with which European governments including the Spanish have responded to the crisis, is not justifiable. Whilst recognising the limitations imposed on government actions by the degree of internationalisation of the Spanish economy and Spain's membership of the euro-zone, it would have been possible to adopt other policies whose overall results would not necessarily have been worse, but which would have had different distributive consequences. Thus, there is no justification for the denial of political and democratic debate on the policies adopted by the Government in response to the economic crisis.
5. The ease with which the political system has accepted that democracy in the area of economic policy is increasingly subjected to restrictions imposed by outside economic and institutional agents has been notable. To make democratic decisions implies the ability to choose from different options. However, this ability is challenged when the margin for manoeuvre on monetary policies is curtailed by decisions taken by non-democratically elected institutions and when fiscal policy must meet a set of internationally-imposed constitutional regulations. It is possible that these new restrictions on the governments' margin of manoeuvre may be associated with improvements in the quality of decisions, but it is also undeniable that they pose a loss of citizens' ability to govern themselves as a democratic society. Why were these negative democratic consequences barely taken into account when decisions were taken on institutional reforms that place more

and greater restrictions on the discretionary powers of the democratically-elected representatives in the sphere of economic policy?

6. From a democratic perspective future reforms should seek to widen rather than narrow the policy options of representative governments. Firstly, the institutional reforms that seek to put politics on 'automatic pilot' should be challenged. But secondly and more immediately, democratic governments need to include the maximisation of their room for manoeuvre amongst the objectives of economic policy. The current crisis suggests a possible means to achieve this end: economies that are clearly exporting ones and therefore less dependent on external financing have governments that are less constricted in their ability to change the orientation of their economic policy. A country that exports more and is therefore less vulnerable to the volatility of international flows will not only be healthier economically, but will also be more democratic politically.

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Some defects of Spanish democracy

1. Introduction

In 2011, one in four Spaniards thought that the political class was the country's biggest problem¹⁴. Dissatisfaction with political parties and their representatives had reached its highest expression in the 15-M movement, whose participants, shouting, "They do not represent us", maintained that those who governed them were ignoring the interests of the citizens. The emergence of this movement was novel because it arose in a country where civil society was poorly articulated and because the primary focus of the protest was to criticise the functioning of democracy.

The loss of confidence in political representatives is not a minor issue because the link of representation between citizens and governments is the main characteristic of present-day democracy. Citizens vote to elect the representatives who will be responsible for making decisions in accordance with the preferences of the majority. This is the principle of self-government.¹⁵ The problem of representativeness arises when this principle is not satisfied and governments make decisions without taking into account the interests of those that they represent.

This is a familiar problem in classical democratic theory. Since the establishment of liberal democracies after the revolutions in England, America

¹⁴ Source: Opinion polls conducted by the *Centro de Investigaciones Sociológicas (CIS)*.

¹⁵ Ignacio Sánchez-Cuenca (2010) "Mas democracia, menos liberalismo", Katz.

and France, the great theoretical debates have focused precisely on how to ensure that governments are representative, i.e. that they serve the public interest rather than their own. Some of the demands of the 15-M movement, such as an effective separation of powers or measures to curb political corruption, formed part of the debates on how to guarantee “good representation” in the North American constitution in the late eighteenth century.¹⁶

Spaniards’ distrust of the political class is related to the economic situation that the country is facing.¹⁷ If citizens feel poorly represented it is largely because they observe the inability of governments to solve the crisis, tackle corruption and enforce their decisions when confronted with economic powers and institutions that are beyond democratic control.

This public discontent coexists with a high assessment of democracy as the best system of government. Despite the consequences of the economic crisis, a large majority of citizens (approximately 80%) has continued to view democracy as the best possible form of government.¹⁸ In general, Spaniards award a positive evaluation to the formal procedures of democracy (political rights, freedom of expression and association, fair elections....) but are more critical of aspects of its functioning, such as citizens’ political participation or the behaviour of political parties.¹⁹ The discrepancy between the rules of play and the functioning of the system widened during 2011 and more people began to believe that formal democracy (the set of rights and guarantees that enable citizens to participate in politics) was increasingly distanced from “real democracy”.²⁰ This frustration arose from the indignation that citizens felt about cases of corruption and their sense of impotence at seeing that neither they nor their politicians

¹⁶ Bernard Manin (1997), “*Los principios del gobierno representativo*”, Alianza Editorial, Ch. 3.

¹⁷ Comparative experience suggests that citizens’ dissatisfaction with the functioning of democracy is sensitive to the system’s performance, i.e. the ability of democracy to solve the problems that are considered important. For example, in Spain poor economic performance and corruption led to increasing dissatisfaction with the functioning of democracy in the early nineties (Gunther and Montero, 1998; Maravall 1995).

¹⁸ CIS Survey 2790.

¹⁹ For an example, see the results of the survey of experts in the *Informe sobre Democracia en España 2011* of the *Fundación Alternativas*.

²⁰ Ignacio Sánchez-Cuenca, “*Democracia real y formal*”, Público, May 20th 2011.

were able to take decisions on a large number of issues that had escaped from national boundaries. These perceptions led to widespread disaffection and a feeling of estrangement from the political class.

This situation will not be changed by the arrival of a new generation of 'virtuous' politicians who profess a strong desire to serve the common good, but rather by establishing appropriate institutional incentives to attract politicians away from corrupt practices and make them accountable to the electorate.²¹ Improving the relationship between representatives and represented involves institutional reforms that strengthen the mechanisms of information, facilitate citizens' control over their politicians and greatly reduce the areas of decision-making not governed by the principles of majority rule.

Over the next few pages we will present an analysis of the major short-comings of Spanish democracy and the reforms needed to eradicate them. The issues outlined here are not intended to limit the debate on democracy, but rather to contribute to it by focusing on questions that formed part of the social and political agenda of the country during 2011, in particular, those related to the criticisms and proposals raised during the demonstrations of the 15-M movement. Various of their claims can be arranged into one of two categories. One theme relates to the weakness of representative power: the lack of representation of political parties and Parliament (caused by a bias in the electoral system towards the two main parties) and the weakness of political power when confronted with the markets or non-representative bodies such as the European Central Bank (ECB). The second theme centres around issues related to the actions of politicians (corruption, privilege, the incompatibility of occupying various positions of responsibility) and citizens' control over the activities of public authorities (claims for greater transparency).

²¹ *Ibid.*

2. Political parties

Spanish public opinion recognises that political parties play an essential role in the democratic system; indeed, almost 80% of Spaniards believe that without parties there would be no democracy.²² However, the behaviour of political parties does not pass muster: politicians receive the lowest rating from the public and inspire the least confidence and, together with the political class, are viewed as one of the country's main problems²³. Social movements are valued more highly than political parties and, moreover, a majority of citizens believe that these movements are better at representing the public interest.²⁴ However, Spanish society has been characterised by the weakness of its associative networks. Few Spaniards participate in any association or organisation, and those who are active prefer cultural, sporting or artistic organisations to political ones.²⁵ The 15-M movement was novel because it broke with the traditional participatory weakness of Spanish society²⁶ and because the sense of alienation and the distrust of politics were not caused by apathy but a result of the protest and citizens' demands.

Despite the overtly political content of the 15-M movement, the different groups linked to the protests proclaimed their apolitical nature. By doing so, they wanted to emphasise their separation from all the conventional parties and organisations. The frustration generated by the crisis, corruption and the weakening of the representative powers was mainly directed towards the major political forces – the PP and the PSOE – who were accused of not taking into account the interests of the public. The fact that the demonstrations were not organised under the auspices of the main parties (but rather in opposition to them) highlighted the parties' isolation from the public. Compared with social movements, political parties appeared as entrenched organisations that were caught off-guard by society's rejection of them.

²² Data taken from the *CIS* (2790)

²³ *CIS* opinion polls

²⁴ Data taken from the *CIS* (2790 & 2701)

²⁵ Survey on the quality of democracy (*CIS* 2790)

²⁶ The associative weakness is a characteristic common to the countries of southern Europe. See: J.M.Maravall, “*Democracia y Democratas*”, Working Paper CEACS 1995/65

The low opinion that the public held of the political class and the parties, along with the prominence acquired by the social movements during the demonstrations of 15-M, could have called into question the permanence of political parties as the main organisations of the political system. However, throughout their history the parties have demonstrated their enormous capacity to survive as major players in representative democracy, despite a progressive decline in membership.²⁷ This survival can be explained by their resilience and skill at incorporating various demands arising from successful social movements into their discourse, such as occurred during the sixties and seventies with feminism and environmentalism.²⁸ Thus, the main threat to Spanish political parties would not appear to be their possible replacement by social movements but rather the high level of rejection that they generate amongst the public.

Why are political parties so unattractive to the public? One answer may lie in the rigidity of their internal structures. With the exception of some advances in the spread of new technologies affecting their connection with party members, the organisational model of the parties has undergone little change. Parties are characterised by their low permeability to civil society and for the permanence of various oligarchies that have turned holding party and institutional posts into a way of life. The professionalization of politics explains why, in some cases, those who hold positions in the organisation are not always the most valuable, but rather those who lack professional alternatives outside the party.²⁹ Their tenure in the organisation gives them an internal power that ends up being a drag on a party's ability to renew itself.

²⁷ M.Gallagher, M.Lavery and P.Mair, "Representative government in modern Europe", Chapter 9

²⁸ An example that illustrates this chameleon-like tendency can be found in the response of the PSOE and *Izquierda Unida* during the general election campaign and the demonstrations of 15-M. The two parties included various proposals promoting greater political participation and electoral reform in their electoral programmes with the aim of attracting some of the more interested voters. Most of these voters, ideologically on the left, were part of the potential electorate for both parties. (On the profile of the 15-M participants see K. & T. Calvo & L. Gomez-Mena Pastrana (2011) "*Movimiento 15-M ¿Quiénes son and qué reivindican?*" en *Especial 15-M, Zoom Politico 04, Fundación Alternativas*)

²⁹ Belén Barreiro, María Fernández, Sandra Leon & Ignacio Urquizu, "*La selección adversa en los partidos políticos*", *El Pais* July 4th 2003.

Moreover, the forms of party membership have not been modernised. Although in recent years the concept of ‘sympathizer’ has been popularised, the main form of participation continues to be via a territorial and vertical link, i.e. belonging to a local group which, in turn, is integrated into provincial and regional structures. Given the potential of new communication technologies and higher levels of geographic mobility, especially almost the youth, these forms of militancy are anachronistic. In order to modernise the way parties relate to the public, they should diversify the opportunities of participating in their political project. This would imply opening up an effective (rather than simply nominal) space in the organisation for more flexible forms of membership that did not require a territorial attachment and forging closer links with other civil society organisations. Parties would become more articulated with society and thus more alert to the dissatisfaction of citizens and more adroit at anticipating their demands.

Finally, improving the level of participation not only means inventing more flexible forms of party membership, but also allowing members more say in internal decision-making. Disaffection with parties is linked to the limited role played by rank-and-file members³⁰; their role is largely confined to the election of delegates for party conferences which, in turn, elect the members of executive bodies. Even though party membership has increased since the transition to democracy, membership levels in Spain are still the lowest in Europe.³¹ In recent years, the role of members has expanded somewhat due to the introduction of ‘primaries’ as a method for selecting candidates, although its use amongst different parties has evolved unevenly.³²

³⁰ The participation of members in the selection of party leaders is less than in other parliamentary systems. *Informe sobre Democracia en España 2011*, page 133.

³¹ Henar Criado (2005) “*Los partidos políticos como instrumentos de democracia*”, *Fundación Alternativas, Documento de Trabajo*, 77/2005, page 15.

³² In 1997, the PSOE adopted primaries as a method of selecting its candidate for leader in the general elections. This was later extended to the selection of candidates for some municipal and regional elections. *Izquierda Unida (IU)* used primaries once, in 2007, when Gaspar Llamazares and Marga Sanz competed to be their party’s candidate for president of the government. Finally, the PP has never employed primaries to choose candidates or to elect their party leader. This illustrates the ideological differences in the propensity of parties to use this method. Although they remain a

The question of whether voters positively evaluate internal party democracy when casting their vote is a separate matter. Although the lack of internal party democracy was one of the criticisms levelled against the parties during the 15-M demonstrations, public opinion on internal party organisation has not been as negative as one would expect from the parties overall low ratings. In 2009 and 2007, more voters believed that the parties elected their representatives via democratic procedures than those who believed otherwise.³³ In addition, given that voters are liable to interpret internal arguments as a sign of weakness or political opportunism³⁴ on the part of their leaders, the public tends to prefer expressions of unity rather than signs of internal debate. Comparative experience suggests that what triggers change in the organisational model of parties are not the demands of the electorate, but the loss of power.³⁵ A traumatic move into opposition can uncover tensions between the leadership and the base and this can cause changes in the power relationship between these elements.³⁶

minority procedure, left parties in Europe have been more ready than the right to allow their militants to play a greater role in the selection of their leaders. (Astudillo (2010:26)

³³ According to the 2009 survey on the “Quality of democracy II” (CIS 2790), 6.4% of those interviewed “strongly agreed” with the phrase “The political parties elect their candidates via democratic procedures”, 3.4% “agreed”, 8.1% neither agreed nor disagreed, 19.4% “disagreed”, and 8% “strongly disagreed”. The results were similar for 2007 (CIS 2701).

³⁴ J.M.Maravall (2003) “*El control de los politicos*”, *Taurus*, page 167.

³⁵ If election results are important for understanding the incentives for a party to reshape their organisation, then it is unlikely that *Izquierda Unida* or the PP will introduce significant changes to their organisational model after the general elections of 2011. However, pressures to democratize its structures are potentially greater on *Izquierda Unida* than on the PP. This is primarily because the potential electorate of *IU* overlaps ideologically with that of the participants of the social movements demanding greater democracy; and secondly, because supporters of *IU* value internal debate and division of opinion more highly than those of the PP, who prefer unity (data taken from CIS 2790 and 2701).

³⁶ For example, the internal democratisation of the Labour Party took place after the electoral debacle of 1979 and after a long period of confrontation between the parliamentary group and the party and was characterised by a lack of support from the latter of government policies. The electoral defeat was interpreted as being caused by the excessive autonomy of the leadership with regard to party members who ended up gaining a great deal of internal power. J.M.Maravall (2003) “*El control de los politicos*”, *Taurus*, pages 139 & following.

In Spain, the electoral defeat of the socialists in the 2011 general elections led – as it did in 1996 – to the adoption of primaries as a way to regenerate the party by altering the power relationship between the leadership and the base. The organisational innovation in 2011 broadened the base of the electorate for selecting candidates – including the candidate for the presidency – by opening up the primary process to party ‘sympathisers’ (what is known as ‘open primaries’). These proposals were preceded by a stage in which important Government decisions related to managing the crisis (such as the cuts approved in May 2010 or the changes to the Constitution that took place in August 2011) had been passed without prior internal party debate and without the rank-and-file being offered any explanation for the party’s change of position. Although party discipline ensured support for the Government, the Executive’s lack of accountability to party officials and membership represented a lost opportunity for the Government to use the party as an instrument of political persuasion to justify their decisions to the public.

However, the internal democratisation of political parties does not always work in the party’s favour because it tends to create tensions between, on the one hand, the unity of discourse and the necessary political ability of the party to implement policy and, on the other hand, internal debate and transparency of information. Parties face a dilemma when they have to render accounts to two distinct groups: their membership and their voters. Greater internal democracy means increasing the ability of the membership to control the formulation of policies and the selection of leaders.³⁷

Nonetheless, an internal debate that undermines the unity of the discourse can erode a party’s political power and its electoral backing. Ideological divisions create uncertainty amongst voters, who tend to withhold their votes from parties that appear internally divided. In this context, electoral considerations (attending to the voters) can be viewed as incompatible with greater internal party accountability (attending to the membership).³⁸

³⁷ This could help improve voters’ control over the party if internal debate provided useful information justifying the implementation of one policy or another. In this case, more internal democracy could help to improve voters’ control over the government when their party is in power and, therefore, improve democracy. Ibid. Chapter 3.

³⁸ Depending on the type of reforms, these may make internal debate and party discipline more compatible or, conversely, irreconcilable. According to Criado’s analysis (2005), the adoption of

The proposal for open primaries for selecting candidates for the post of general secretary of the PSOE put forward at the end of 2011 could help to solve this dilemma. Leaders chosen through open primaries have a broader base of legitimacy and thus can enjoy a greater degree of autonomy from the most critical sector of the party apparatus (middle level cadres). Paradoxically, elites are strengthened by greater internal party democracy. Additionally, if the preferences of members tend to be more radical than those of the general public³⁹, then opening up the party to allow sympathisers to participate in the formulation of policies could moderate the orientation of a party's policies and, in this way, improve the representation of voters' preferences.

3. Job insecurity and union representation

The 15-M movement had its origins in youth platforms such as "*Juventud Sin Futuro*" and "*Democracia Real Ya*" that demanded solutions to the precariousness that condemned them to job insecurity, unemployment and lack of access to housing. Their rejection of all conventional political and social actors included the main trade unions: *UGT* and *CCOO*. Some of the criticisms made of the political parties - that they did not defend public interests, for example - were also directed against the unions.⁴⁰

Trade union defence of the interests of the most vulnerable sector of the active population, where young people are over-represented, is weak. Young people, together with women and immigrants, make up the majority of the marginalised

primaries to select party leaders is one of the reforms that creates the least internal division and can, instead, improve the party's image. Henar Criado (2005), "*Los partidos políticos como instrumentos de democracia*", *Fundación Alternativas*, Working paper 77/2005.

³⁹ A comparison between the ideology of the militants and those of the voters can be found in J.M.Maravall (2005) "*El control de los políticos*", *Taurus*, page 132.

⁴⁰ The 15-M Movement participated jointly with the unions in the demonstration on September 6th to demand a referendum on constitutional change. However, members of 15-M advised their supporters not to march alongside unions, political parties or other organisations. They even carried banners criticising the unions, aligning them with the PP and the PSOE ("*CCOO y UGT: hermanos de PSOE y PP*").

and most insecure part of the labour force (the unemployed, temporary and part-time workers).⁴¹ In spite of being the most vulnerable in the labour market, they only enjoy limited representation in collective bargaining negotiations. This is due to their low rate of union membership.⁴² Union members are mainly workers with permanent contracts in relatively secure jobs and better-paid than the rest (so-called '*insiders*' or part of the stable labour market) and consequently the negotiating strategies of the unions have favoured the interests of this group. This has created a void in the defence of the interests of a large group within the workforce and has called into question the representativeness of trade unions in the procedures of social dialogue.

What factors explain why unions neglect the interests of an important sector of the workforce? The first factor is their organisational weakness. Spanish trade unions are powerful in terms of their role in social dialogue, in their ability to mobilise at street level and in union elections. However, they are weak in terms of membership⁴³ and only have a limited presence in the workplace. Temporary workers have virtually no contact with the unions because there is no union representation at their centres. Moreover, the job insecurity affecting this group makes them reluctant to join a union for fear of losing their position.⁴⁴ Secondly, the Spanish labour market has become increasingly diversified in recent years. The trade union movement was founded in the industrial sector and therefore the basis of trade union support is predominantly male and working class. The labour market in Spain has become increasingly fragmented and heterogeneous and has moved away from the traditional sectors of trade unionism making it difficult for the unions to recruit members in the new sectors of employment (especially in the service sector).

⁴¹ Temporary workers have less stable job contracts, lower wages, fewer training opportunities, almost non-existence health and safety protection and are therefore more likely to suffer work-related accidents, J. Polavieja & A. Richards (2001), "Trade unions, Unemployment and Working-Class fragmentation in Spain", in N. Bermeo (ed.), "Unemployment in the New Europe", CUP.

⁴² Young people were registered as having one of the lowest rates of union membership in Europe. M.P. Duce Pizarro, "*Participación sindical, la afiliación de los jóvenes*", *Temas para el debate*, N° 152 (July), 2077, pages 61-63.

⁴³ The affiliation rate increased between 1998 and 2003 but is one of the lowest in Europe (16% in 2003). See: A. Richards, "*El sindicalism en España*", *Fundación Alternativas*, Working Paper 35/2008.

⁴⁴ *Ibid.*

Some studies attribute the lack of union representation in broad sectors of the labour market to the indifference of union leaders, either because they owe their institutional survival to the homogeneity of the working class (which facilitates the representation of their interests), or because their role in the social dialogue is protected by labour laws and their survival does not depend on membership levels but rather on state funding and union elections. Others maintain that regardless of the will of the unions and the credibility of their pronouncements on employment insecurity, the real explanation of why union officials have little incentive to defend the interests of the more vulnerable members of the workforce is because of structural (institutional) circumstances.⁴⁵ According to Polavieja⁴⁶, union representation is the result of a combination of the low presence of unions in the workplace and uncoordinated collective bargaining, primarily at provincial levels, which is the main level where wages are negotiated - issues related to contracts are mainly in the hands of the entrepreneurs. This reduces opportunities for the unions to develop inclusive strategies, i.e. that their decisions take into account the defence of the interests of the most vulnerable.⁴⁷

In short, either because of the will of union leaders or as a result of structural factors, unions have little incentive to develop strategies that take the interests of the most vulnerable sectors of the labour market into account.

⁴⁵ See: A. Richards, “*El sindicalismo en España*”, *Fundación Alternativas*, Working Paper 135/2008, page 10.

⁴⁶ J.G. Polavieja, (2003) “Temporary Contracts and Labour Market Segmentation in Spain: An Employment-Rent Approach”, *European Sociological Review*, 19 (5): 501-517.

⁴⁷ According to the theory of bargaining structure and economic performance of Calmfors and Driffill (1988), when bargaining at the intermediate level, employers are more inclined to accept the demands of the unions and end up reaching agreement on above-average wage increases. This has a negative effect on the economy and reduces employment opportunities for temporary workers and the unemployed. Bargaining at an intermediate sector level results in an imbalance between the target group of the bargaining (the secure workers) and the group that pays the price (the unemployed and temporary workers). When bargaining occurs at the extreme levels (national or company levels), the benefits and costs resulting from the bargaining between unions and employers are much more identifiable (national level) or they are adjusted by market forces (company level). This makes it more likely that unions integrate the cost of their wage bargaining strategies. See: J. Polavieja (2003), “*Estables y Precarious: Desregulación laboral y Estratificación Social en España*”, *CIS*.

This undermines their role in the social dialogue as an organisation responsible for defending the overall interests of the workforce as a whole and means that they act like any other pressure group whose principal objective is the defence of the interests of their own members.

Can the representativeness of the unions be improved? Yes, but subject to a change in the institutional conditions that provide incentives for them to protect the stable workforce instead of the most vulnerable sector. The direction of the change depends therefore on the specific design of the reforms introduced in the labour market. For example, theoretically⁴⁸, a greater decentralisation or centralisation of the level of collective bargaining can reduce the duality of the labour market. At national or company level, unions have fewer motives to defend expansive wage strategies for stable workers that would result in broadening the possibilities of employment for vulnerable workers and the unemployed.⁴⁹ On the other hand, a greater contractual uniformity which helps to homogenise the workforce could facilitate the defence of the interests of this group (by making it less heterogeneous) and could enable unions to penetrate certain sectors that are currently dominated by vulnerable workers.

Whether unions would welcome these reforms is another matter. Both the decentralisation of collective bargaining and the homogenisation of work contracts could prejudice the working conditions of those on permanent contracts, i.e. the current base of union support. It is likely therefore that the unions will oppose such changes. However, the interesting thing about this hypothesis is that, regardless of the union backing for these change, it is conceivable that some of them, once in force, would alter the incentives for developing more inclusive strategies and improve their ability (or strengthen their incentives) to expand their representation of the labour force.

⁴⁸ See the footnote on the previous page.

⁴⁹ However, the average size of Spanish firms is small. Many of these businesses do not have union representation therefore, although the decentralisation of bargaining at company level might lessen the bias of union representation towards the tenured workforce, its effects might include a smaller number of agreements (due to the absence of representation in many companies).

Finally, given their poor organisational ability (or disinterest) to attract the unemployed, temporary and part-time workers, the possibilities for unions to extend their representation to a larger segment of the workforce will be reduced if reforms act to reinforce the vulnerability of this type of worker. Nonetheless, perhaps the 20% cut in funding that the unions suffered as part of the first austerity measures introduced by the PP Government may encourage them to search for additional sources of funding by extending their membership.

4. Electoral system: Does proportional representation mean *better* representation?

One of the main complaints of the 15-M movement was that politicians ignore the interests of citizens who therefore feel unrepresented. The majority of their criticisms were directed against the two main parties, the PSOE and the PP, and their monopoly of political representation.⁵⁰ One of the main demands of the movement was a call for greater plurality of party representation in Parliament via a change to the regulations of the electoral system. Some parties incorporated these demands into their election manifestos thus raising hopes that the debate on the electoral system will be back on the agenda sometime during the X legislature.

The first question that should be asked when examining the Spanish electoral system is whether it should really be defined as democratically deficient. The objective of the design of the current system was to select rules that minimised

⁵⁰ The political parties that obtained the greatest distance between percentage of seats and percentage of votes in the general elections of 2011 were *Izquierda Unida* and the *Unión Democracia y Progreso*. Although most discussion has focused on the electoral formula, in fact, the main factor that determines the majority bias of the Spanish electoral system is that of the size of the district (the number of parliamentary members who are elected for each constituency) is small. See: Rubén Ruiz-Rufino, “*Por qué reformar el sistema electoral*” *Zoom Político* 08/20/2012, *Fundación Alternativas*.

the risk of parliamentary fragmentation and ensured Spain's governability⁵¹; given that Spain has enjoyed stable, single party government, where changes of the party in power have occurred as a consequence of changes in voters' preferences, so far this objective has been met. This means that under the current system citizens have been able to oust the government in power when it has lost their confidence. This capability is essential if politicians are to govern in the best interests of the public; it is impaired when power is fragmented and coalition governments are formed.

Those who demand greater proportionality argue that it would guarantee a closer link between what people prefer (and express by their vote) and parliamentary representation. The more proportional a system, the closer the relationship between the percentage of votes and the percentage of seats a party obtains. This means that under an extremely proportional system, small changes in voters' preferences would result in changes to those who represent them; hence, greater proportionality implies an improvement in democracy when understood as a better connection between representatives and represented. However, this advantage can be offset by the negative effects that proportionality has on governability and control over politicians.

Firstly, under a proportional electoral system a coalition government is more likely. However, this type of government is less stable than a majority government and control of politicians is more difficult.⁵² Responsibilities become blurred when a government is formed by a coalition of parties and it becomes more difficult for the public to attribute responsibility for the results of

⁵¹ The choice of a proportional electoral system with a majority bias is related to experiences during the Second Republic when the multiplicity of parties of political representation made governability difficult (see: I.Lago & J.R.Montero (2005) "*Todavía no sé quienes, pero ganaremos: manipulación política del sistema electoral español*", *ZonaAbierta* 110/111:279-349). Between 1931 and 1939, three elections were called, 26 governments held power, 13 prime ministers were appointed and 2 presidents were elected. Such institutional instability was partly the result of a high degree of parliamentary fragmentation and the consequent difficulty in forming stable majorities (*Rubén Ruíz-Rufino, "Por qué reformar el sistema electoral?" Zoom Político 08/20/2012, Fundación Alternativas*).

⁵² Rubén Ruíz-Rufino, "*¿Por qué reformar el sistema electoral?*", *Zoom Político 08/2012, Fundación Alternativas*.

government actions.⁵³ Furthermore, the closer connection between the preferences of voters and representation that may result from greater proportional representation can weaken the negotiation of pacts that occurs in coalition governments amongst different parties.⁵⁴ These pacts can lead to a party that has lost an election ending up in government, whilst another that has gained more seats is unable to govern. Thus, the correlation between the wishes of the majority and the formation of a government is weakened. In short, proportionality erodes the ability of citizens to expel the rulers of power.

Secondly, extreme proportionality can reduce the incentives of politicians to serve the interests of their constituents. The more proportional a system, the higher the number of representatives elected in each constituency.⁵⁵ The problem is that, other things being equal⁵⁶, the larger the constituency (the more members elected) the more complicated it becomes to distinguish who is responsible for representing local interests⁵⁷. Many representatives in a constituency lead to a loss in the public visibility of an individual representative making it more difficult to keep a close watch on his or her parliamentary activity. The result is that politicians have fewer incentives to increase the visibility of their political activity or to respond to the demands of the electorate that voted them into parliament.

⁵³ Bingham G. Powell & Guy D. Whitten (1993) "A cross-national analysis of economic voting: taking into account the political context", *American Journal of Political Science* 37: 391-414.

⁵⁴ J.M.Maravall, "*El control de los políticos*", *Taurus*, page 117.

⁵⁵ Holland is an extreme case where there is only one constituency (covering the whole country) and the electorate has to elect the 150 parliamentary members.

⁵⁶ This means when other characteristics of the system remain constant (such as the electoral formula or open or closed electoral lists).

⁵⁷ For example, in a majority system such as exists in the UK, Canada, USA and India, citizens elect one representative per district. The advantage of this system is that the link between the elected constituency representative and the voters in that constituency is closer. Responsibility for representing the interests of the constituency in Parliament lies wholly with the representative. Being highly visible to the electorate, MPs have many incentives to be representative, i.e. to meet the demands of the majority of their constituents. However, according to A. Penedes (see: *¿Listas abiertas? Voto de preferencia* in *debate callejero*, www.debatecallejero.com), what is valued most highly in candidates in the UK (and confirmed by polls) is not related to better control over the politicians' activity but with the ability of the representative to mediate between the state bureaucracy and a constituent, as well as to attract investment to their constituency.

Another of the most called-for changes to the electoral system was to replace the closed and blocked lists, which dominate the current system of selecting candidates, with a system of open lists.⁵⁸ Under the system of the closed and blocked lists candidates and their ranking on the list are determined by the party. Consequently, representatives are more motivated to gain the approval of the party organisation (on whom they depend for the compilation of the lists and therefore their future electoral aspirations) than to attend to the demands of their constituents. This type of system facilitates party discipline and unity of discourse but its drawback is that it weakens the relationship between representatives and the represented. The introduction of open lists can improve that relationship, although it also presents problems. Depending on their design, open lists may end up reducing voter turnout and encouraging corruption. Moreover, expectations about the benefits of this system are somewhat diluted if we review their limited use in Senate elections.

One of the problems associated with the open list system is that it is more complex than a closed list one (it requires the citizen to be well-informed) and, thus, can exclude some sectors of the population (usually the poorest) from participating.^{59/ 60} Moreover, open lists can multiply cases of corruption by increasing the power of lobby groups for whom it becomes relatively cheap to manipulate the selection of candidates. Empirical evidence on the relationship between open lists and corruption is not conclusive except for systems that combine long and open lists, which are consistently associated with corruption.⁶¹ However, there are intermediate formulas that can lessen the impact of lobby groups on the configuration of lists and reduce the complexity

⁵⁸ There are two types of open lists: the 'pure' type, which allows citizen to elect MPs from different parties (a system that occurs in very few countries), and the preferential vote (which allows voters to choose between candidates on the same list).

⁵⁹ A. Gallego (2010) "Understanding Unequal Turnout: Education and Voting in Comparative Perspective", *Electoral Studies*, 29 (2), 239-247.

⁶⁰ The complexity can vary depending on the type of open list. Undoubtedly, systems that allow a voter to select candidates from various parties are more complex than those that only allow a voter to choose candidates from the list of one single party.

⁶¹ See: E. Chang & Miriam A. Golden, 2006, "Electoral Systems, District Magnitude and Corruption", *British Journal of Political Science* 37:115-137.

of the system. These lists are only partially open given that the list provided by the party can only be changed by a certain percentage of voters (depending on the percentage, the list would be more or less controlled by the party).

Finally, in order for open lists to be effective and guarantee the voters ability to choose, the size of the constituencies should be small (for example, in Irish constituencies voters can choose from 3 to 7 names on open lists). In other words, the list of candidates needs to be short so that voters can obtain information about each candidate. However, reducing the size of the constituency amounts to reducing the proportionality of the system. In brief, effective open lists that allow voters a choice of candidates may be incompatible with highly proportional systems that favour the representation of small parties. This highlights the complexities of combining electoral reforms that increase the proportionality of the system with reinforcing citizens' ability to hold politicians accountable.

5. The limits of representative power

Citizens' growing distrust of the political class is largely explained by the feeling that they have lost the ability to influence political decisions. They sense that political power has been losing ground to powers beyond democratic control, especially economic powers. When Spaniards are asked which institutions are most powerful, the majority respond by attributing more power to the banks than to government, political parties or parliament.⁶² Moreover, those who believe that economic power holds sway over political power are the least satisfied with democracy and the least happy with its results regarding equality and social welfare.⁶³ In short, the feeling that political power is subject to economic power lowers the evaluation of democracy.

⁶² Sebastián Lavezzolo (2011), "*Poder Político, poder económico*", *Zoom Político 07, Fundación Alternativas*.

⁶³ *Ibid.*

The coexistence between democracy and non-representative powers is not easy. Creating counter-majority powers within democratic systems such as central banks or constitutional courts is born from the same fear that believes that the unlimited power of a government with an absolute majority places the political system in jeopardy. From this perspective, the delegation of power to such non-representative bodies can be interpreted as placing a self-limitation on democracy for the sake of its survival (e.g. to prevent the adoption of a law that might violate basic rights).⁶⁴

The advantage of decision-making by technocrats rather than politicians is that the former are not constrained by political pressures (i.e. by the need to abide by the will of the majority), therefore they are able to take measures that are unpopular but beneficial for the general interest that a politician would never dare to take for fear of electoral reprisals. However, there is no guarantee that decisions taken by technocrats will be the most appropriate or, in the case when they are not, that voters will be able to expel them from power. If politicians commit mistakes citizens can reject them at the polls and this electoral control gives governments the incentive to legislate according to the will of the majority. When these incentives are absent – as is the case with technocrats - citizens have no choice but to rely on their good faith, aware that none of these types of bodies is required to account for the consequences of its actions on the public interest.

In addition to the assumption that Constitutional courts have a greater technical capacity to exercise constitutional control, they are considered to be detached from the sort of electoral pressures that elected politicians experience. Such characteristics help to ensure that their decisions are based solely on legal argument. However, although their superior technical knowledge is beyond question, the same cannot be said of their political neutrality and often these bodies are ideologically divided.⁶⁵ It seems excessive therefore that the system assigns the final say on constitutional issues (possibly overriding the wishes of

⁶⁴ Ignacio Sánchez-Cuenca (2009), “*Más democracia, menos liberalismo*”, Katz, page 161 & foll.

⁶⁵ For a classification of the ideological composition of the *Tribunal Constitucional* see: I. Sánchez-Cuenca, “*Los retrasos y los sesgos de la composición del Tribunal Constitucional*”, *Informe sobre la Democracia en España, 2011, Fundación Alternativas*

the majority of citizens) to a court of ideologically-divided judges where decisions are approved by simple majority (6 of the 12 judges).⁶⁶

One way to protect the will of the majority from the rulings of these judges would be to oblige decisions to be approved by a qualified majority. Thus, the Court's rulings could only be imposed against the will of the majority of citizens (e.g. an annulment of a law passed in Parliament) after the court had overcome its ideological differences and reached a common position.⁶⁷ This would prevent the results of simple majority decisions being dependent on contingent or arbitrary circumstances that modify this majority, such as deaths, challenges or changes in parliamentary majorities that alter the political appointment of judges.⁶⁸ If constitutional courts have to make decisions that are opposed to the will of the majority of the public, a procedure should be put in place obliging members to reach a qualified majority. If they fail to do so, then the decision should be transferred to society and resolved by the majority principle.

In the case of central banks, the virtue ascribed to their political non-representativeness is that they do not suffer from the temptation to manipulate the economy in order to win elections. They are distanced from any interference from political powers and their independence in the management of monetary policy is consecrated. However, what happens if central banks take mistaken decisions that prejudice the public interest? In other words, who controls the controller? This question became apposite when the *Banco de España (BE)* failed to supervise the financial system. The BE's inadequate control over the exposure of banks and savings banks to the risks involved in the real estate

⁶⁶ Ignacio Sánchez-Cuenca, “¿Por qué les dejamos decidir por mayoría simple?”, *El País* 10/12/2009

⁶⁷ This proposal has been developed by Ignacio Sánchez-Cuenca in, “*Más democracia, menos liberalism*”, 2010, *Katz*, pages 182 and following.

⁶⁸ The Constitutional Court's ruling on the Statute of Catalonia was divided into four sections. The ideological division of the Court meant that in three of the sections the ruling depended on just one vote (6 vs. 4). It seems excessive that such an important decision, which modified the text adopted by the parliament of Catalonia and the central Parliament, should have been based on so weak a consensus.

sector caused a financial crisis that in various cases forced the Bank's governor to intervene and inject public aid.⁶⁹

A second issue concerns the independence of central banks. The decision-making autonomy of central banks means that they are free to pursue their objective of price stability (in the case of the US Federal Reserve, its aims are broadened to include promoting economic growth) even when this could damage other objectives which might be important for citizens, such as economic growth and employment. In other words, central banks provide a guarantee that monetary policy will follow economic criteria rather than cater to political necessity. However, as noted in studies on this subject,⁷⁰ central bank independence does not mean that their decisions are purely technical and apolitical.⁷¹ Monetary policy has distributional effects that favour one group over another. For example, central banks have to decide how to balance the risk of inflation with increased employment, which is a political decision (Stiglitz 1998, page 216).⁷² The independence of banks would not exist if preferences for low inflation were evenly distributed (i.e. if worldwide priority was awarded to inflation). Thus, central bank independence is not divorced from the preferences of the special interest lobbies existing in society, but rather the result of power groups opposed to inflation (especially within the financial sector).^{73, 74}

⁶⁹ In a letter sent on May 25th 2006 to the second deputy-prime minister, who was also the Minister of the Economy, the *Banco de España* inspectors warned the Ministry that the governor, Jaime Caruana, had not taken steps to minimise the latest risks in the financial system caused by the anomalous development of the Spanish property market.

⁷⁰ For a review of the literature see S. Lavezzolo, "Central Bank Independence in Developing Countries", Study/Working Paper 2006/229, *Instituto Juan March*, 2006

⁷¹ K. MacNamara (2002) "Central Bank Independence and the Social Logic of Delegation", *West European Politics*, vol. 25, N° 1 (Jan. 2002), page 48.

⁷² Cited in K. MacNamara (2002, page 53).

⁷³ The professional careers of many directors of these bodies are frequently linked to important companies in the financial sector. See: J.F. Albertos, "*Asterix, Spiderman y el Banco de España*", *El País*, Oct. 17th 2011.

⁷⁴ Adam S. Posen (1993) "Declarations are not enough: financial sector sources of central bank Independence", *NBER Macroeconomics Annual 1995*, Vol. 10, pg. 254.

When the European Central Bank (ECB) was created its independence was carried to an extreme⁷⁵ as a result of the unequal distribution of political power in European countries which gave the final say on its design to Germany - the European country with the strongest preference for price stability. The debt crisis of 2011 exposed the political backing responsible for the extreme independence of the ECB. Germany blocked an aggressive intervention on the part of the ECB to stem the debt crisis, arguing that such measures could erode the credibility of the institution. This led to the severe financial instability that destabilised the monetary union and created a contradiction: the most independent central bank in the world was unable to intervene to ensure the survival of its own currency.⁷⁶

The implications of the financial crisis not only affected the stability of the euro but also undermined the already fragile foundations of the European political structure.⁷⁷ The crisis of the monetary union shifted decision-making powers towards the European Central Bank and the European Council of Ministers of Economy and Finance (ECOFIN) and weakened the role of the Commission and the European Parliament. As the crisis progressed, the Council lost its leading role to Germany and France who became the *de facto* government of the EU-27.

The transformation of the European government into an inter-governmental directorate composed of Angela Merkel and Nicolas Sarkozy signified a loss of any direct representation (via the European parliament) or indirect representation (via inter-governmental bodies) in economic and political decisions on behalf of the citizens of EU member states. In late 2011, the future did not appear promising and all signs indicated that the EU was heading towards greater fiscal union: a new fiscal agreement tailored to the economic interests of Germany and at the expense of weakening political integration and representative institutions.

⁷⁵ The ECB is the most independent bank in the world, virtually unencumbered by political control and with minimal links with European institutions. Its first priority is price stability and the rest of the objectives are subordinate to the control of inflation.

⁷⁶ Ignacio Jurado, “*Independencia y Ceguera*”, *Público*, 20/01/2012.

⁷⁷ Representative power in Europe, concentrated in the European Parliament, is shared with two types of very different institutions: supranational but non-representative (such as the European Commission of the European Central Bank) and inter-governmental bodies (such as the Council of Ministers) where the governments of member countries are represented.

6. Improving citizens' control over politicians: Corruption and Transparency

In 2011, political corruption became one of the main concerns of Spaniards and contributed to the growing dissatisfaction that the public felt about the functioning of democracy (see: Chapter 4 of *Informe sobre la democracia en España*, 2012). Spain is a relatively corrupt country compared to its neighbours.⁷⁸ Although the phenomenon is not very extensive (relatively few individuals are implicated), it is intense in relation to the sums of money involved. As in other countries, results indicate that elections do not always serve to sanction the most corrupt governments.⁷⁹ This does not signify that there is no reaction at all to corruption.⁸⁰ Countries with a high degree of corruption have worse indicators on government: inefficient bureaucracies, weak rule of law, worse environmental policy management (water pollution) and health policy management (citizens have lower life expectancies) and less satisfaction with life in general.⁸¹

Corruption in Spain has been mainly linked to local government and urban development. Studies investigating its causes indicate that the institutional design of local government in Spain favours corruption. For example, the local government system concentrates political power in the hands of one party and favours the politicisation of job positions. In addition, the number and size of the municipalities (there are over 8,000) and their excessive heterogeneity make comparison and competition amongst local boroughs difficult; and their

⁷⁸ See: The Report on democracy in Spain (*IDE*) 2008, 2009, 2010, 2011, *Fundación Alternativas*.

⁷⁹ The absence of electoral sanction to corrupt governments depends on the role of the media (see: *Informe sobre de democracia en España 2011*), parties' reaction to cases of corruption (B.Barreiro & I.Sánchez-Cuenca, "Análisis del cambio de voto al PSOE en las elecciones de 1993", *REIS*, 82, 191-2011) and the impact these crimes have on public welfare (see: Chapter 4, *Informe sobre la democracia en España 2012*).

⁸⁰ See: Chapter 4, *Informe sobre la democracy en España 2012*.

⁸¹ See: Report on Democracy in Spain 2011, Ch. 8.

reduced size encourages the creation of clientele networks.⁸² According to the experts, the most effective way to combat corruption is not through legal reform – which is where most emphasis has been placed so far – but via the reform of local institutions. Innovations needed to reduce corruption in Spain include reducing the number of municipalities (via mergers) and encouraging ‘whistle-blowers’ in the administration, i.e. providing protection for people who report corrupt practices to the authorities or the media.⁸³ This latter measure would instigate an internal control (between members of the civil service) that requires less investment than external controls (such as the creation of police or judicial units).⁸⁴

Some of these institutional proposals were incorporated into the electoral programme of the PP and the PSOE in the last general elections.⁸⁵ However, the few measures introduced and the timidity (or generality) of the formulas adopted reflected the parties’ lukewarm attitude to one of the problems that most contributed to the deterioration of the public’s image of the political classes.

⁸² In Spain, there are 5,791 municipalities of less than 2,000 inhabitants (source: *Instituto Nacional de Estadística*).

⁸³ One essential protection is the obligation to maintain the anonymity of a whistle-blower which under the current regulations in Spain is impossible. When information on an alleged irregularity is presented to the police or a judge, the system obliges the informer to sign a formal complaint. Regulations in other countries (for example in Sweden) forbid a superior to undertake an investigation into who has leaked information (see: Report on Democracy in Spain 2011, Ch. 8).

⁸⁴ These proposals originated in studies produced for the *Laboratorio de Alternativas*. See: Report on Democracy in Spain, 2009, 2010, 2011; and V. Lapuente, “¿Por qué la corrupción no se castiga?”, *Colección Política Comparada*, 02/2011.

⁸⁵ The socialists proposed to encourage coordination and cooperation between municipalities and strengthen the supra-municipal institutions in order to provide shared services amongst the smallest municipalities. These proposals were a watered-down version of those made before the election campaign, which included the merger of 25% of municipalities (announced by Ramon Jauregui, see: *El País* 11/24/2011). Furthermore, the reform was not linked to the fight against corruption, but to all proposals related to improving administrative efficiency. In the case of the PP, proposals included reinforcing protection for those who reported corrupt practices and the promotion of voluntary mergers between municipalities.

Many cases of corruption in recent years have been linked to fraud in the allocation of public works contracts. However, the absence of a law guaranteeing citizens access to public information have placed obstacles in the way of controlling such activities. For example, current regulations prevent a citizen from knowing how many contracts the administration has signed (and with whom) during a financial year, or the decision-making criteria employed by a city council to implement a particular policy.⁸⁶ Transparency of information can help to prevent corruption because information is essential if citizens are to hold their politicians accountable. However, Spain is among the few EU countries⁸⁷ that lack laws guaranteeing its citizens simple and cheap access to information. The only reference is the Law 30/1992⁸⁸, according to which citizens can inquire about a determined type and number of documents⁸⁹ but not ask questions about specific issues.⁹⁰ This has made public access to information very arbitrary because confusion about the interpretation of the law makes the decision to allow access dependent on the everyday practice of the administration to whom the request is made; moreover, the arbitrariness permits the administration to interpret the exceptions that limit access to information in a very broad manner.⁹¹

⁸⁶ Citizens can only access documents that are part of an administrative procedure or that form part of one that is incomplete. The problem is that there is no general legislation establishing the precise nature of an administrative document, nor when an administrative procedure is finalised. (See: “*Cuando lo público no es público: por qué se necesita una ley de acceso a la información en España?*”, 2008, www.access-info.org)

⁸⁷ Together with Luxembourg, Malta and Cyprus.

⁸⁸ *Ley 30/1992* of November 26th, *Régimen Jurídico de las Administraciones Públicas* and the *Procedimiento Administrativo Común*.

⁸⁹ The public can only view documents that are part of an administrative record or included in an ongoing administrative procedure. The problem is that there is no general law that prescribes what an administrative record is, nor what criteria should be used by the Administration to store information relating to records, nor when the process is finalised. Moreover, the public cannot ask to consult more than one document nor formulate questions (i.e. general inquiries that are not related to documents). See: “*Cuando lo public no es public ¿por qué se necesita una ley de acceso a la información pública en España?*”, 2008, www.access-info.org.

⁹⁰ Except when the accredited person is a researcher and there is an historical, cultural or scientific interest. *Ibid*, page 14.

⁹¹ The exceptions are for matters of public interest, interests of third parties worthy of protection, or when the law states otherwise (Article 37.4, of law 30/1992). The problem is that access is denied simply when the theme ‘affects’ these materials and not when specific prejudice exists to the

Proposals suggested to improve the right to public information in Spain⁹² stipulate that such access should be considered as a basic right (legally guaranteed and protected as such), thus ensuring citizens' access to public information, with no justifications required⁹³, and available via a simple and streamlined procedure. They also demand that exceptions to the law should be specified (contained in a closed list) and interpreted restrictively, and that administrative silence should be interpreted as positive (granting permission). Finally, proposals have been made that a public information law should include legislative and judicial bodies⁹⁴ (Congress of Deputies, Auditors Court, the Senate, the Constitutional Court) – to the extent that they perform administrative functions - as well as private individuals and legal bodies when these are exercising administrative authority, public functions or operating with public funds (political parties).

Some of these proposals were reflected in the draft bill, *Ley de Transparencia y Acceso de los Ciudadanos a la Información Pública* which was approved by the Council of Ministers on July 29th 2011.⁹⁵ However, the announcement - made

interests. Moreover, the existence of a public interest which may override the protection of the interests recognised as exceptional is not taken into consideration.

⁹² Demands for reform have been made by various sectors of society such as social movements (the 15-M and the *Coalición Pro-Acceso* composed of 54 civil society associations) and the media. On October 8th 2008, the newspapers *ABC* and *El País* presented a resolution at the *Sociedad Interamericana de Prensa* calling on the Government of Rodriguez Zapatero to introduce a Law on Free Access to Information.

⁹³ The law should include an obligation on the part of the Administration to provide information on the procedures for soliciting information, response deadlines and the resources that an applicant needs to lodge if no response is forthcoming or is unsatisfactory.

⁹⁴ The application of the law on access to information is normally limited to executive power. Legal or legislative power is not applicable except in the exercise of administrative functions (see: E. Guichot Queen, “*Transparencia y acceso a la información pública en España*”, working paper 170/2011, *Fundación Alternativas*, page 18).

⁹⁵ The main criticism of the bill made by associations defending the right of public access to information were that the text still did not guarantee the right of access as a basic right (as recognised internationally) thereby excluding public access to a large volume of information, such as supporting information (reports, notes, reviews....), many of the archives, public records and statistics. In addition, it did not contemplate the creation of an independent supervisory body (expected to be

the same day - bringing forward the date of the general election prevented the bill coming before Congress. The PP proposed a law on transparency and public access to information in its 2011 election manifesto.⁹⁶ How ambitious this law will be will depend on the extent to which it includes the demands of those claiming access to public information.⁹⁷

7. Clarifying responsibilities in the Autonomous State

Another key aspect of the control of politicians is whether the public are able to assign responsibility for the outcome of policies. Politicians always enjoy an advantage in terms of information because they hold a monopoly on certain information that is outside the public domain (e.g. official secrets); they also maintain control over the agenda thereby deciding which issues are included or excluded from public debate. These information asymmetries between the public and politicians are important because the ability of the public to control politicians depends largely on information. If the outcome of policy and the

under the Ministry of the President) and administrative silence remained as implying a negative response. For a comparative analysis between the demands of the *Coalición pro-acceso* and the content of the bill, see:

<http://www.access-info.org/es/coalicion-pro-acceso/186-espana-borrador-ley-publicado>.

⁹⁶ The application of laws on access to information is normally limited to the executive branch. They do not apply to the judiciary or the legislature, except in the exercise of materially administrative functions. (See: E. Guichot Queen “*Transparencia y acceso a la información pública en España: análisis y propuestas legislativas*”, Working Paper 170/2011 *Fundación Alternativas*, page 18).

⁹⁷ Transparency also has its detractors. In countries which are more advanced in releasing public data (UK and USA) voices have emerged that warn of “the tyranny of transparency”, i.e. the possibility that the indiscriminate publication of data generates incorrect or biased interpretations that are difficult to refute because the amount of time to analyse information is limited (see: L. Lessig (2009) “Against Transparency, The New Republic”, <http://www.tnr.com/article/books-and-arts/against-transparency>).

responsibility for it are unknown, the public may end up punishing or rewarding politicians at random i.e. that votes do not correspond with the results of management.

The ability of the public to dismiss governments is an essential mechanism in the relationship between representatives and represented. While they are in power the need to gain voter support persuades politicians to act according to the will of the majority. However, if information is not forthcoming and the relationship between policy outcomes and the survival of a government weakens, then politicians have less incentive to behave in a responsible manner (because their actions while governing will be immaterial: voters will be in ignorance and end up voting randomly).

In countries like Spain, where several levels of administration are involved in providing and financing public services, control over those who govern is more complicated because information requirements (who is responsible for what in each policy) are greater. Furthermore, opportunities for politicians to manipulate information are multiplied because responsibilities are fragmented. Politicians may take credit for policies they had nothing to do with, or shift the blame for bad results on to other administrations, or simply proposed reforms in areas over which they have no sway.⁹⁸ For these reasons, the information conditions that enable the public to control governments are more demanding in a de-centralised context.

One of the problems of the autonomous regional model is that there is little standardised information (thereby making comparison difficult) on the basic results of policies such as education, health and social services. In Spain, this lack corresponds to the general weakness of public administrations' information transparency. The right to public information not only means that the government responds to requests from the public for information, but that they

⁹⁸ An example was given in the electoral campaign of the 2011 elections. Although the margin of manoeuvre was limited by the demands of the financial markets and the European institutions, politicians continued to behave as if the solutions were still in their hands and built the campaign on the assumption that solutions to the crisis could be resolved nationally.

anticipate the dissemination of it. This is known as 'active publication'. In recent years, thanks to new technologies⁹⁹, advances have been achieved in this field, but only lately have efforts been made to establish comparable indicators on regional policy results. Comparison is important because it introduces an element of competition between different regions that can encourage good governance and improve the functioning of public administrations.

A second problem concerns the allocation of responsibilities: the public must not only have information on the outcome of policies but must also be able to assign responsibility for them correctly. In the autonomous regional state, public perceptions on the responsibilities of central government and the municipalities approximate fairly accurately to the actual distribution of powers (see Table 1 of the Annex). Central government is credited with responsibility for pensions and unemployment benefits¹⁰⁰ and local municipalities are credited with being primarily responsible for the care of public parks and gardens and urban waste management.

However, perceptions regarding regional governments are distinct. For a good many years these administrations have been responsible for education, social services and health¹⁰¹. Nonetheless, the percentages of citizens who assign the main responsibility for such policies to regional governments are relatively low (see Table 1 in Annex). Moreover, public knowledge about the responsibilities of regional administrations does not appear to have improved very much over time. Between 1998 and 2010, the percentages of the public who believe that the central administration was responsible for health and education policies did not increase, as would be expected, but rather declined (see Table 2 in the annex)^{102, 103}.

⁹⁹ Currently, official bulletins as well as all kinds of information about the organisation and functions of public administrative bodies are published electronically.

¹⁰⁰ Immigration control is another responsibility that is mainly attributed to the central administration (see data from the CIS survey 2734).

¹⁰¹ In December 2001, health was the latest competence to be gradually ('slow track') transferred to regional government; regional administrations, therefore, have been managing the health services for at least 10 years.

¹⁰² During the years 2005, 2006 and 2007, the percentages of the public who thought that the responsibility for health was mainly in the hands of the central administration exceeded those who believed that it was the responsibility of the autonomous regional administrations. In 2010, the

How can the public become more aware about the allocation of responsibilities? If circumstances remain more or less the same over the coming years, the public may slowly improve their knowledge about who does what regarding specific policies. However, a more pro-active stance must be taken by the institutions if this learning process is to be successful. So far, with the exception of the central government campaign "*Gobierno de España*", introduced to improve the visibility of central government as opposed to regional government in the financing and management of certain services, few steps have been taken.

The manifestos of some political parties in the general elections of 2011 included proposals for redefining the division of competences in order to eliminate the duplication of responsibilities among levels of administrations and to avoid an overlapping of functions. The justification for these proposals was made on purely economic grounds (rationalisation of expenditure) while aspects connected with clarifying responsibilities that would allow the public to have better control over their governors were ignored. Undoubtedly, avoiding duplications in the jurisdiction of competences would help to elucidate the situation in this area. Nonetheless, most competences will remain shared and this implies that the institutions must make a greater effort to explain who is responsible for what policy in a way that allows for a better comparison of results.

percentages were almost the same, although the percentage allocating responsibility to the regions was a little higher. The same applied to education, although in 2010, the percentage allocated to the regions far exceeded that allocated to central government. (*Opiniones y Actitudes Fiscales 2010*)

¹⁰³ However, there are significant variations between regions. In the regions that took over responsibility for health and education later ('slow track'), a higher percentage of the public still believes that central government is mainly responsible for these two policies.

CONCLUSIONS

1. During 2011, and for the first time since the transition to democracy, groups with some degree of public support took to the streets to express their lack of confidence in politicians and the workings of democracy. The growing dissatisfaction with political parties and their representatives was related to the economic crisis, cases of corruption and the widely-held view that politicians had ceded power to authorities beyond democratic control. Those believing that political power had been subjugated to economic power were also less satisfied with democracy.
2. Although the vast majority of Spaniards believe that there is no democracy without political parties, parties receive the lowest scores from the general public and generate the most amount of distrust. The lacklustre attraction of these organisations is possibly related to the rigidity of their internal structures that are dominated by oligarchies with only a weak link to civil society, inflexible forms of membership and only permit the rank and file a limited role in the selection of candidates.
3. Comparative experience suggests that changes in the internal organisation of parties do not satisfy the electorate's demands for greater internal democracy; instead they are more likely to lead to the convulsive relationship between the members of a party and its leadership that can be provoked by a loss of power. Voters tend to value a party's unity of discourse above internal democracy, interpreting internal debates as a sign of weakness or division.
4. The 15-M movement's rejection of all conventional political and social actors included the main trade unions, accusing them – together with political parties – of not representing the best interests of the citizens. Union members tend to have stable jobs with permanent contracts and this is one of the reasons why unions have favoured those with greater job security to the detriment of the more vulnerable sector in collective bargaining negotiations. The half-hearted representation of the interests of a large group of the active population (the unemployed and temporary and part-

time workers) in the processes of social consultation has called into question the representativeness of the trade unions.

5. One of the demands of the 15-M movement was for an electoral reform that would increase the degree of proportionality and this was reflected in the 2011 electoral manifestos of the *PSOE* and *Izquierda Unido*. However, although theoretically proportionality ensures a better link between the preferences of citizens (the distribution of votes) and their representatives (the distribution of seats) in practice it is associated with greater government instability; it also complicates the public's ability to assign responsibility for government action and reduces their ability to oust a government from power.
6. Public dissatisfaction with the functioning of democracy is largely based on the perception that political power has been losing ground to non-representative powers on a number of decision-making fronts. The advantages of delegating decisions to non-representative bodies such as central banks or constitutional courts lie in the insulation they offer from political pressures. This form of decision-making allows unpopular measures (that politicians would be afraid to take for fear of losing power) to be taken on the basis of technical criteria rather than political necessity. The disadvantage is that the political independence of these bodies prevents citizens from monitoring their performance. There are few mechanisms that enable these bodies to be held accountable when their measures prejudice the public interest.
7. The constitutional courts have the final say on some public issues because of their greater technical capability to deliberate on the constitutionality of certain laws. However, the ideological division of these judges, together with the requirement of merely a simple majority for various decision-making procedures, means that decisions are often dependent on accidental factors that may alter the majority, such as the death or disqualification of a judge. One way to circumvent this would be to oblige the Constitutional Court to take decisions with a qualified majority, so that its decisions (for example on laws passed in Parliament) would only be imposed on the will of the majority when the Court managed to overcome its ideological differences and reach a common position.

8. The proliferation of corruption cases in Spain has revealed shortcomings in the system guaranteeing effective control over the actions of politicians. Corruption is mainly associated with local councils and urban development. Factors favouring corruption are related to the institutional design of local government, such as the type of government and the reduced size of municipalities (which encourages the creation of clientele networks). Examples of institutional innovations to reduce corruption include merging municipalities (increasing their size and reducing their heterogeneity) and encouraging 'whistleblowers' in public administrations.

9. Greater transparency of public administrative activities can help to improve public control over politicians. However, Spain is among the few European countries that lack a transparency law. Consequently, citizens' access to public information depends on the arbitrary decisions of the administration, which may interpret the exceptions that limit access in a very broad fashion. The PP has promised a new transparency law, although its efficacy will depend on whether it recognises the main proposals of the collectives that advocate greater transparency of information.

10. In order for citizens to control politicians the public must first be able to assign responsibility for policy outcomes. This is more complicated in a de-centralised environment such as the Spanish where several authorities share jurisdiction over the same policy area. A greater institutional commitment to improve the transparency of government action is the necessary first step towards clarifying responsibilities at each level of government. Secondly, advances need to be made in publishing standardised (comparable) data on the results of regional government actions in different policy areas. Comparison can stimulate competition amongst the regions and lead to good governance and the dissemination of better practices.

ANNEX

Table 1 Assignment of responsibilities amongst different levels of administration

Central

Regional

Municipal

Shared

Not known

Total

Health (health centres & hospitals)

Infrastructures (roads, ports, etc)

Transport

Libraries & museums

Education (schools, colleges, universities)

Retirement pensions

Primary social services (old people, minors)

Unemployment benefit

Public parks & gardens

Sickness & invalidity pensions

Waste management

Source: Opiniones y Actitudes Fiscales 2010 (Instituto de Estudios Fiscales)

1. Which administration do you think is responsible when you need, for example, to make a claim?

Table 2

Attribution of responsibilities (% of all responses)

Central Government

Regional government

Local Council

Total

Health

Education

Housing

Unemployment

Source: 1998 (CIS 2286); 2010 (CIS 2829)

1. In your opinion, who is primarily responsible for things going well or badly in the following policy areas?
2. In 1998, the responses on health and education were only collected for the regional governments that had de-centralised powers that year.

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