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The Power of Uncertainty: The Neoliberal Quest for Profit in Spain

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Abstract

Using as a case study the consequences of the recent generalized economic crisis in Spain and Europe (2008-14), I propose to analyze the role of uncertainty as a key and recurrent ingredient needed by market economies to generate high levels of profitability at the cost of extremely high levels of social inequality. The present article examines the relationships between crises and uncertainty as socially constructed realities that have been instrumental in the political reshaping of entire societies. The “crisis” narrative has succeeded in explaining extreme levels of profit generation as economic “failure” and, consequently, in legitimating further profit by dismantling the welfare state and appropriating public resources via loans to repay the debt incurred by a financial system that relies upon the collection of interest. Throughout history, economic uncertainty has been an important characteristic of capitalism and its labor market and has been actively sought after or fought against by decision-makers and regulators of different historical periods. The experience of daily economic uncertainty and anxiety about the future pushes individuals to be willing to work for less. Social policies and workers’ rights are the balancing forces that counteract the “natural” volatility and the mercilessness of the market; such policies also diminish uncertainty and generate social cohesion. The current crisis in Spain and Europe is characterized by exacerbated uncertainty, contraction of public social protection, and, inevitably, the rampant increase of inequality and poverty.

As early as 2008, some voices started to point to the fact that Spain was at the threshold of a severe economic crisis: not having its own currency to devalue on the international market (i.e. externally) and, as such, no ability to refloat exports, the country was facing the alternative option of resorting to internal devaluation in order to regain international competitiveness (Krugman, 2010; Niño-Becerra, 2013). According to classic economic theory, in a moment of crisis indicated by decreasing productivity, a country has two options to refloat its economy. Traditionally, the most common way has been the external depreciation of its currency in order to make its products cheaper in the international market and increase demand and, consequently, productivity and economic flows. The other option is internal depreciation. However, when currency depreciation is not an option due to international loan pressure¹ or because the country has no actual control of its currency (as is the case for the EU countries, which depend on the decisions of the European Central Bank, or Germany), the only possibility left is to reduce the costs and increase the appeal of national products through the reduction of labor costs. An internal devaluation results, then, in a sustained period of high levels of unemployment until salaries and costs are low enough to reinvigorate foreign trade. If a country sustains enough unemployment for a long enough period of time, people become willing to work for less or will move, seeking work elsewhere.² How, then, does one reduce salaries in a country where labor regulations are designed to protect workers from abuse? Simultaneously, then, labor regulations must often be changed in order to make lay-offs easier and life as an unemployed person more difficult.

The social costs of internal depreciation are colossal, and they are placed squarely on the shoulders of private households, as high unemployment fuels private debt: pressure is put on the budgets of lower and middle class households, as they are the ones depending on easily taxable salaried work. Unemployment in Spain has gone from 2 million, 8% of the population, in 2008 to close to 6 million, 26% of the population, in 2013 (INE, 2013). This increase in unemployment has coincided with draconian labor reform, which has reduced unemployment benefits and lay-off costs. In May 2013, 1,900,000 families had all working age family members unemployed and 3 million people had been unemployed for more than three years (Ebola, 2013). Unemployment figures do not include dependents (children) or retirees, whose monthly incomes have been frozen for several years. In October 2013, 12 million people, out of a total population of 46.7 million, were officially living under the poverty line, and three million families had a monthly income of fewer than 300 euros. This number has doubled since 2008 (la Vanguardia, 17/10/2013).

The current situation in Spain is a perfect example of how the contemporary global economic system works. Profit, the ratio between actual production cost and market price, depends heavily on labor costs. Labor cost is severely affected by uncertainty. If households have an uncertain survival horizon due to high levels of unemployment and low social compensatory measures, its members are willing to work for lower wages. Uncertainty, in a situation of vulnerability, is more often than not perceived and experienced as risk. Although the term uncertainty, strictly speaking, means outcome unpredictability, this perceived unpredictability of survival is the result of an increased probability (and expectation) of bad outcomes. At a family level then, apparent survival unpredictability is the opposite of perceived security, and it is this perception (of either tranquility or threat) that informs agency.

Thus, “uncertainty” and its dreaded sidekick, “risk,” become fundamental market mechanisms. Bauman in *Liquid Modernity* (2007) and Beck on *Risk Society* (1999) already warned us that capitalism at the end of the twentieth century was becoming a fleeting

hypermodernity, characterized by an economic model with extreme levels of mobility. The main characteristic of this hypermobile modernity was the uncertainty generated by its high levels of unpredictability (Charles & Lipotevsky, 2005). This hypermobility is the consequence of the corporations' permanent quest for the best, most productive conditions, with complete disregard for the social costs of this lack of permanence—illustrating the ephemerality of the economic process (Collins, 2002). This high rate of industrial mobility, with outsourcing as its most distinguishing feature, resulted in the sudden abandonment of places and workers if productive conditions changed (Cowie & Heathcott, 2003; Tauxe, 1993). The twentieth century emergence of the US rust belt was an early example of this Brave New World (Dudley, 1994, 2000; Huxley, 1932). Throughout the twentieth century, central and postcolonial areas that produced bananas (Dove, 2011), coal (Swyngedouw, 1996), sugarcane (Attwood, 1992), or copper (Ferguson, 1999), for instance, also experienced the volatility and volatility of the market, with producers always searching for cheaper sources or laxer regulations and always ready to move if such locations became available (Ferguson, 2006). The high levels of industrial mobility coupled with the increased unpredictability of globalized markets resulted in higher uncertainties for workers, who also face an increased risk of losing their livelihoods (Vaccaro, 2011). As late as 2005, it seemed difficult to imagine that entire “developed” countries could be subjected to job starvation (and the obliteration of social rights) in order to be “advantageously” reconnected to the market (Comaroff & Comaroff 2012). However, such a thing is no longer a fantasy. The progressive reduction of profits, brought about by the consolidation of a hypermobile globalization (cheaper places are becoming increasingly hard to find) has resulted in a fundamental crisis in the Western world, with unprecedented consequences for social reorganization (Hard & Negri, 2012; Saul, 2010).

Uncertainty is a structural characteristic of the current capitalist labor market. The promotion of uncertainty is fundamental for the activation of the profit cycle and can only be executed by implementing structural violence—coercion—over large swathes of population (Žižek, 2008). This form of “low-intensity” violence is needed to induce mobility and diminish social expectations on the part of the workers. This forced mobility (geographical or downward across the social structure) was in fact a necessary starting condition of the industrial revolution itself (Thompson, 1968; Hobsbawn, 1959). In the late capitalist era, uneven development is less a matter of geography than it is a matter of access to networks (Harvey, 2006, 2010; Smith, 2008). In other words, the current situation is not characterized by contradictions of center versus periphery; indeed, the metropolises now have an abundance of internal peripheries (Harvey, 1996). Within this realm, uncertainty becomes a “creative” force of capitalism, an essential component of “progress” as it destabilizes the system, thereby allowing for the emergence of new configurations with recalibrated cost and benefit curves. This point identifies the fundamental difference between the often complementary notions of progress of the Enlightenment and that of capitalism: while the former focuses on the accumulation of knowledge and political rights at a societal level, the latter conceives progress as the accumulation of wealth at an individual level.

Individual and household behaviors and choices must be understood as adaptive strategies to this changing context. Uncertainty, as a context for behavior, is a concept fundamental to understanding the particularities of current economic circumstances, as it articulates the possible individual choices; that is, the more difficult it is for individuals to find jobs, sustain themselves, and pay rents or mortgages, the greater the potential for capitalistic profit as individuals become willing to work for less and/or in worse conditions. Uncertainty as

economic engine, however, has a tipping point at which economic and psychological stress social distress or even revolution. When perceived uncertainty is too high, when the threat to household survival is too high, and when social exclusion becomes certain, the contradictions of the socioeconomic system become apparent to its citizens, and they feel as though they have nothing else to lose. In confronting these unsolvable contradictions, revolt—in Marxist terms—emerges as a fully rational choice. Social policies, workers' rights, public expenditure, and social networks are the balancing forces that counteract the "natural" volatility of the market, diminish uncertainty, and generate social cohesion (Keynes, 2011[1936]; Smith, 2013 [1759]). Individual success—or survival—in such a system is articulated by the capacity to endure periods of high uncertainty thanks to previously accumulated capital or resource sharing networks (resources or knowledge). These accumulated assets "buffer" households from destitution during periods of hardship; however it is this "buffer zone" that is the current area of neoliberal contention: The lower and middle class' savings, accumulated during the last forty years of stability, are the coveted resources that must be "extracted" in the form of debt or taxes—through mortgages, increased costs for basic services, or direct taxation.

This is where Crisis, not as a phenomenon, but as a narrative, can be understood as an ideological tool for social engineering, a discourse that builds a hegemonic image of reality (in the Gramscian sense)³ that explains (and disguises) the extremely high levels of profit generated in the West during the last ten years as "failure" and provides the legitimacy to dismantle the welfare state and start a new wave of profit by appropriating the middle class savings via taxes. These taxes pay the international loans that have been given to the state so rescue a financial system that is, at the same time, collecting the interests of the loans.

Modernity's narrative was built around the promise of progress and freedom. The hypermodern era, however, has reverted this equation: the proliferation of risks, of uncertainty, has turned security or the need for security into the social priority. The fight against insecurity trumps all considerations. Insecurity, as a physical or economic threat to the viability of the social body, becomes a fundamental issue that legitimizes all actions. The crisis narrative and its austerity subplot embody the economic threat. In this diagnosis of the problems arrayed against the social body, the workers are blamed because of their "low productivity" and because their salaries or pensions are "too high." This blame legitimizes the erosion of workers' rights and salaries, as though the reduction of their wages and the dismantling of social welfare systems is done for the common good: i.e. in the name of security.

After the Second World War, the welfare state in Europe was implemented in order to reduce uncertainty in people's daily lives. The goal was to rebuild infrastructures and systems but also to limit the appeal of communism or, again, the path of war. Levels of profit were maintained by the extraction of resources from postcolonial countries and successive technological leaps that changed the productive and consumptive patterns of Western societies and consolidated a globalized economy. After thirty years of European peace (as the Western powers had displaced their wars to postcolonial locales), the oil crisis of the 1970s made the Western world painfully aware that economic globalization had been achieved and that the negative consequences of interconnectedness traveled in all directions (Hardt & Negri, 2001). Commodity mobility was easier than ever, but this global system was also defined by high levels of unpredictability (Appadurai, 1988, 1996). The massive outsourcing implemented by most First world corporations allowed them to reduce costs and compete in the global market, but such outsourcing took its toll on the productive grids of the progressively less and less competitive Western societies (Corbett, 2004; Dudley, 1994). The benefits of outsourcing still made their

way to the First World—but in the form of corporate dividends that remained in the upper social echelons—not in the form of salaries for lower class workers aspiring to upper mobility. Meanwhile, in the US, during Reagan’s presidency (1981-1989), and in the UK under Prime Minister Thatcher (1979-1990), the checks and balances established under the organized capitalism paradigm began to be dismantled (Lash & Urry, 1987). This led to the deregulation of the financial and labor markets and the reduction of the safety net provided by the state in the form of rights and services given to the less fortunate citizens. The public services that were eliminated had been effectively decreasing household survival costs. As such, the erosion of the Welfare state increased the burden borne by household budgets.⁴

Fifty years after the 1929 stock market crash, the neoliberal agenda started to once again increase the levels of workers’ uncertainty. The private debt cycle started slowly, and the region-specific reduction of jobs (due to outsourcing) depleted many areas of the Western world (Chalfin, 2006). Some of the workers affected by job loss fell off the grid, while others joined the services industry. Two economic sectors, finance and construction, became prominent economic and cultural elements of the late capitalist assemblage: two sectors, both of which were characterized by high levels of dependence on speculative financial moves on the future behavior of the global economy, and, consequently, both sectors played with risk to achieve higher degrees of profit. Spain, as a consequence of its unusual post-autarky economy and the developmental conditions imposed on it by the process of the European integration, presented an exacerbated example radical dependence (López & Rodríguez, 2010). However, after the Fordist revolution, workers were not just workers anymore; they were also the primary consumer base (Gramsci, 2000[1934]). Low and middle class citizens had assumed post-materialist values and fostered the emergence of a generalized leisure economy (Inglehart, 1997; Veblen, 1998[1899]) and a set of life expectations that came with additional costs (Holmes, 1989), namely, costs that were financed by entering into debt (Lazzarato, 2012). These expectations have sustained themselves to the present day, and they make a return to pre-mass consumption patterns very difficult (Ferguson, 1999). The consumerist system is structurally designed to promote high levels of consumption: try to live without two cars per household in California; without laptops or cellphones in a digital society; or without child car seats in a city where they are mandatory. The costs of maintaining a legally acceptable social life and family—even as frugally as possible—in the early twenty first century is well beyond the average salaries—not to mention unemployment subsidies—that the systemic neoliberal re-structuration of the economic system requires. This phenomenon is analogous to the impacts of forced monetization on a trade-dominated society. Individual and households must engage in market integrated activities in order to generate the currency needed to, for instance, pay taxes or receive services, or pay for goods that are not tradable (such as cellphones) (Dove, 2011; Godoy, 2001).

Households need money to survive. However, when annual salaries or hourly wages are no longer available or cannot support the household, workers must turn or are pushed to alternative employment options as a means of subsistence or survival. The term “subsistence employment” has been used to describe some of the new labor strategies in Southern of Europe. This is a reinvention of the subsistence economy concept. In this framework, the worker is seen as a scavenger searching for extremely short lived jobs, joining the informal, unregistered economy, or gathering and producing agricultural resources for self-consumption, trade, or street markets: a true “war economy” (Sanchez-Silva, 2012). Every few days, the worker is back on the streets. He or she gets offered day- or week-long contracts with no possibility of generating savings, accruing social benefits, or devising mid-, long- (or short-) term plans; indeed, this is

uncertainty and economic vulnerability at its best (Kalleberg, 2009; Vosko, 2006; Barbieri, 2009).

Uncertainty, as a behavioral framework, triggers an insidious technology of the self (Foucault, 1988), as large and small households start to depend on fewer and fewer resources, such as a pension from the grandparents, or the salary of the few that still have a job. Consequently, real resistance to the system or undertaking acts of violence are out of the question, as such actions could further diminish or endanger the few resources the families still have. Thus, households and workers are forced to internalize the pressure while the situation dismantles the social body by eroding the basic tenets of individual and collective worker identities. The reduction of viable employment alternatives and the limited courses of action available to workers results in a sort of “disciplinization” of the poor (Wacquant, 2009). Given this reality, the growth of uncertainty seems to be not only an unavoidable, or a collateral effect of the current neoliberal policies but an overt goal of the present neoliberal paradigm (Ortner, 2011).

The current neoliberal push is succeeding in “proletarianizing” (Debord, 2000) large segments of a “society of abundance” (Galbraith, 1999) that had based its economic cycle not only on mass production but especially on a mass consumption, centered on leisure (Nazareth, 2007). The increase of uncertainty has transformed societies that for decades were articulated around the strength of a large middle class. The current neoliberal model is something closer to the Western Europe of the turn of the twentieth century, in which a small privileged minority was able to stand on the shoulders of a large, debilitated proletarian lower class. The current reshaping of a large segment of the middle class into proletarians represents a dismantling of a fifty-year status quo of class cohabitation (the Fordist pact) via the reintroduction of uncertainty. The goose of the golden eggs, the middle class and its consumptive potential, is slaughtered in an exercise of short-term economic calculation: the new business is to appropriate their savings and to get wage workers to accept drastic salary cuts. This strategy will immediately decrease the consumptive potential of middle class individuals, which will subsequently reduce demand, but short term potential profits and new markets are emerging beyond the Western world. The result, reviving classic Marxism, is that the potential for social violence, for revolution, increases proportionally to the increase of uncertainty, and rampant social inequalities and polarization.

In July 2012, Mariano Rajoy, the current conservative prime minister of Spain, started his defense of a package of liberalizing economic measures that were diametrically opposed to those publicized during his election campaign, by saying “We cannot chose ...; we do not have such freedom” (RTVE, 11/07/2012), by which he meant to imply that even he, the prime minister, was without recourse, that the “greater good” must include suffering and sacrifice for “all.” The great discursive success of the current neoliberal era is that ideology has been delegitimized and extracted from the political agenda. Politics have been extracted from politics. Economics is the only rationale that must inform politics and policies (La Vanguardia, 2013). The crisis is the only unquestionable fact, and the neoliberal strategy for dealing with it is the dismantlement of state and social rights, a hegemonic narrative of crisis that legitimizes the sequestration of the state. The programs that brought political parties to power via popular vote do not matter. All governments are forced to apply the same recipes (Laval, 2012). The invisible hand is, finally, at work (Smith, 2012 [1776]) in the form of the neoliberal economy as the “only path to salvation” (Comaroff & Comaroff, 2000).

Spain or the Neoliberal destruction of value and cohabitation

Vignette 1

In January 2013, a forty year old friend explained his situation as follows:

It took me twenty years to go from warehouse worker to foremen's supervisor. I got fired, and [now] I must start at the very beginning again with less than a third of the salary I was making three months ago. There are no qualified jobs, so as soon as my unemployment subsidy is cut in half by the government [after six months], I will have to take the only jobs available: basic worker with a salary several times smaller than the one I got when I started in the 90s. These days, the difference between being middle class or lower class is a blink of an eye. (Josep, Barcelona December, 2012)

During his first six months of unemployment, Josep has no incentive to take any of the jobs he might find because they are so badly paid that he gets more from the unemployment subsidy (70% of his former salary). After six months, the subsidy will be cut by 50%, and although the salaries of jobs he may be able to find cannot even pay the rent for his four person household, he will have no choice but to take one. Levels of uncertainty must go up before workers will take jobs that do not cover their basic needs (and that are an offense to their former labor identity and professional category). It should be noted that unemployment, per se, is not enough to ensure that workers will take jobs that are "below them." The job market needs to be sufficiently deregulated so that no safety net is in place for workers to begin to consider underemployment. In fact, 700,000 people have been laid-off since the approval of the 2012 *Labor (de)Regulation Law*, approved by the current conservative government and designed to facilitate the destruction—not creation—of jobs (unemployment went from 20% of active population in 2011 to 27% in 2013). The convoluted logic was that if it was easier to fire workers, it would be easier also to create cheaper jobs with the money saved from terminating highly skilled individuals.⁵ Incidentally, today, Josep is performing the same type of job he had at the beginning of the crisis. His wage, however, is a third of what he used to make.

The new system focuses on reducing the costs of maintaining the labor rights and guarantees and puts the pressure on the shoulders of the workers themselves. Companies, then, fire workers. Sometimes, if the workers are lucky, the employer offers them the opportunity to do the same work for a lower pay (often not as part of the company but as self-employed workers who then pay their own taxes and social security). The cost of this arrangement for the companies is obviously lower, and the payment for the workers, the continuity of their employment, or the connection between their employment and the entire productive system becomes uncertain and subject to permanent revision. In addition, in a form of private biopolitics, a collateral effect is the isolation of the worker, who becomes individuated in his externalized relationship with the employer (Foucault, 2008). Incidentally, the capital needed for several self-employed workers to unite and create a company is, more often than not, out of the workers' reach.

Vignette 2

In his book *Yo, Precario*, Javier López (2013), a thirty-year old professional holding a Master's degree in Literary Creativity and winner of several literary awards, narrates the collapse of his social and educative business and his fall into poverty. He describes his inability to find

jobs according to his skills and aspirations and describes how he ended up wearing promotional costumes as a marketing mascot. In his book, now a best seller in Spain, he unfolds the process of the collapse of his personal identity as a worker and the impossibility of actually sustaining himself in mainstream society with the salaries paid by the few precarious jobs he gets offered.

López relates how he ended up taking jobs he was ashamed of, how he lied about his jobs due to embarrassment or hid the nature of his work from friends and family. He talks about the feeling of anger, sadness, and frustration upon realizing that a beggar in the street was making more money than him. The level of uncertainty that had taken over his life was so high that he had to change his moral codes and behavior to survive. He describes, in other words, the personal consequences, from not only an economic perspective but also at the level of individual personal identity, of internal currency devaluation as a regulatory mechanism designed to decrease expenses by focusing on the reduction of labor costs (Matos, 2012).

From an economic perspective, he describes how he started a process of progressive reduction in personal expenses to adapt to the continual reduction of resources. He started by eliminating the superfluous, quickly continuing towards the necessary, and finally affecting to elements fundamental to bare survival: a process sadly familiar to many Spanish families. These are the same families that, befuddled, hear in the national news that international economic organizations such the IMF or Spanish entrepreneurial associations are asking for further reductions in salary costs. This deliberate instillation of fear among citizens and the corresponding increase in perceived uncertainty is a fundamental disciplinary step. The Spanish citizens cannot but wonder what else they will be expected to live without. Forced costs and debt on families and countries are the new faces of disciplinary violence (Marazzi, 2011).

Vignette 3

Since the crisis started in Spain and with the implementation of new labor regulations, it has been easier for companies to file a Company Regulation Report (*Expediente de Regulación de Empresas*, ERE), through which labor conditions such as salary, positions, or hours can be unilaterally changed by the company. The companies need only to prove as “evidence” for the need of such action nine months of declining benefits, sales or losses. In other words, a company can still be making money, lots of money, just *less* money than they once were and be legally permitted to unilaterally reduce the salaries paid to their workers or fire them with minimal compensation.

Joanne used to work at a press as team coordinator. Her company filed an ERE in 2009, again in 2010, and, finally, in 2011, filed for bankruptcy. After the EREs were filed, the workers started to work only four days per week; on the fifth day, they would be considered unemployed and, on that day, public money (the unemployment fund) covered their salaries. If a worker is affected by an ERE for more than 180 days, the subsequent salary-earning days are paid by the state and are taken out of the worker’s personal unemployment fund. The cost of the pressure facing the companies was, thus, passed along to the public monies first and the workers’ pensions. EREs are not only a way for companies to reduce costs but also a way to extract a sort of subsidy from the State. The workers only see a smaller salary. Joanne’s company, admittedly, not a paradigm of spotless management, had a management group of seven individuals (three individuals making 60,000 € per year, three making 90,000 €, and one making 160,000€). The other 40 workers were making under 35,000 € per year. (In the neoliberal years, companies in general seem to have gone top heavy, with disproportionately large salaries at the managerial levels, while cuts or restrictions are implemented at the operational level: since 2008, a

significant amount of countries have passed or have tried to pass legislation against CEOs' exorbitant salaries). Incidentally, all of the workers at the press were affected by the ERE. In other words, the part of the seven managers' salaries that was affected by the ERE was also paid by public money. Eventually, in 2011, the company filed an ERE of "extinction" (bankruptcy). Thirty people were fired, with a severance of twenty days' worth of salary for each year worked (the minimum allowed), plus some of the cuts that had been previously accepted by the workers during the successive EREs. Only 80% of the debt owed to the workers—the part due from the state—has been paid.

The fate of this company exemplifies a contemporary shift of entrepreneurial behavior. Historically, businessmen (and companies), like workers, were specialized according to skills and interests. An entrepreneur would create, invest, and develop a goods, media, or technology company. There would be a personal connection between entrepreneur, workers, and *métier*. The case of Joanne's company describes a common occurrence in the late capitalist era: the company was founded and developed locally; eventually, it was bought by a larger international group within its sector. Ultimately, however, such groups move out of the specific geographic market from which they acquired the company and so the group sells the small company to a financial group, which is diversified and focused more on generating generic profit than on developing business in any given field. Once the benefit margins of the small company in question fall under acceptable rates, the next order of business is to dismember the company in the most profitable way.

These personal experiences must be contextualized within the general political framework of the labor (de-)regulation laws (Royal Decree Law 3/2012). Otherwise, these experiences get lost in the sea of macroeconomic numbers or are dismissed as anecdotal irrelevances. Experiences, macroeconomic indicators, and regulations need to be correlated, as they are necessary components of the uncertainty equation. For uncertainty to become a daily condition, high rates of unemployment is not enough; social guarantees need to be stripped too.

In 2014, Spain finds itself submerged in a massive economic (and social) crisis. The ethnographic examples outlined above (i.e. the faces of the crisis) must be complemented by a macroeconomic analysis of numbers. These numbers confirm the extent of the "internal devaluation" experienced by Spanish society: prolonged, high rates of unemployment, accompanied by the dismantling of the social net built by the Welfare state.

This next section will provide and discuss data on (a) the unemployment rate's historical evolution (with some comparative numbers from other European countries); (b) the evolution of the average salary in Spain, combined with the evolution of the cost of living; (c) the evolution of the number of businesses filing for bankruptcy and the number of workers affected by unemployment or salary reduction; and (d) the evolution of energy costs versus salaries.

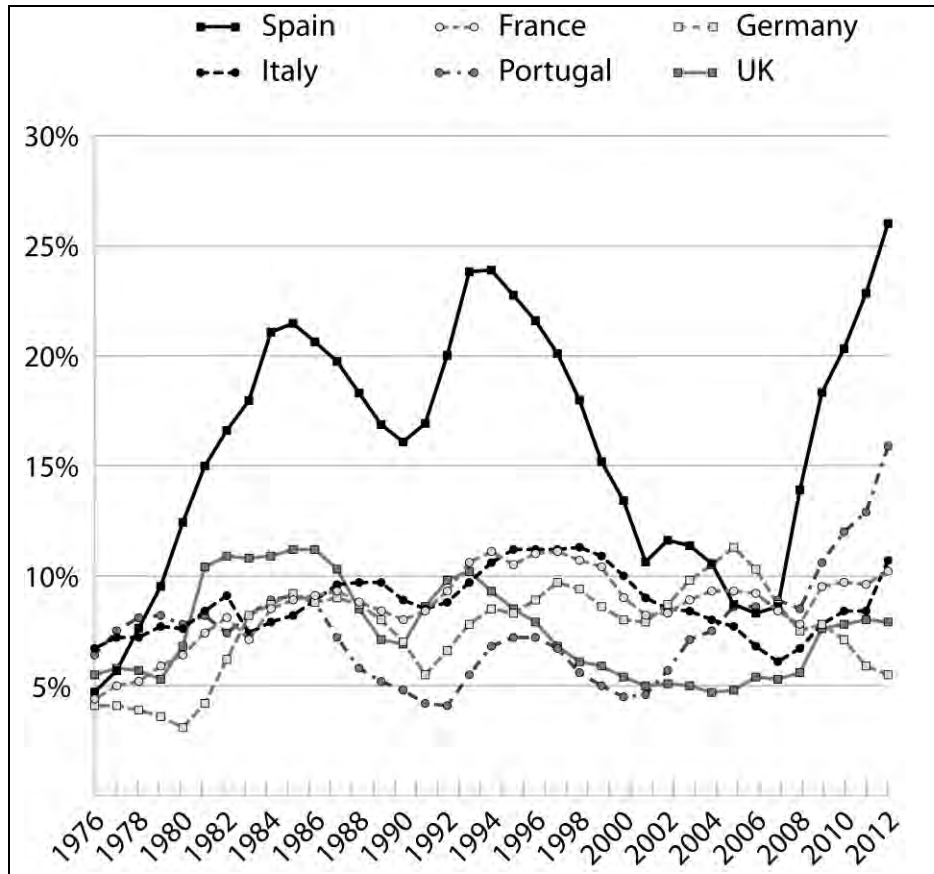


Figure 1. Employment rate evolution in Spain and other European countries (1976-2012). Workforce percentage (sources: INE, ILO, and EUROSTAT).

At first glance, over the last thirty years, the Spanish job market seems to have been characterized by strong variability (as a result in the 1980s of its adaptation from a fascist regime to a Europe in a process of integration). The difference between the unemployment peaks in the Spain of the 80s and 90s from the peak that starts in 2007-08 is that the current rate of long-term unemployment is higher than ever; the collapse is affecting the country's main economic sectors. Sales tax and income tax have never been so high or workers and retirees' social guarantees so (after the restoration of democracy) low.

These unemployment rates must also be contextualized. As previously stated, the new labor laws allow businesses that have experienced at least nine months of losses or declining revenues or sales to change the labor conditions of their workers. Given the current conditions, most businesses can prove declining revenues. It must be noted, however, that in many cases, the companies *are* still earning revenues (profits)—though the profits are not as great as they were during the “good years.” This means that businesses that are making money, albeit less money, can apply this regulation too and pay reduced severance, or they may unilaterally change working conditions. To give some perspective, according to the digital economic newspaper *Expansion.com* (26/04/2013), the group of businesses that are included in the IBEX35⁶ in 2011 made 31,000 million Euros. The title of the article, interestingly enough, was that those businesses lost 6,400 million in 2012. Once we explore the data, however, and once we exclude Bankia, the bank that declared bankruptcy that year, we realize that these companies actually

gained 13,000 million in 2012. We are told that they “lost 60%” of their benefits (not that they kept 40% of their benefits).

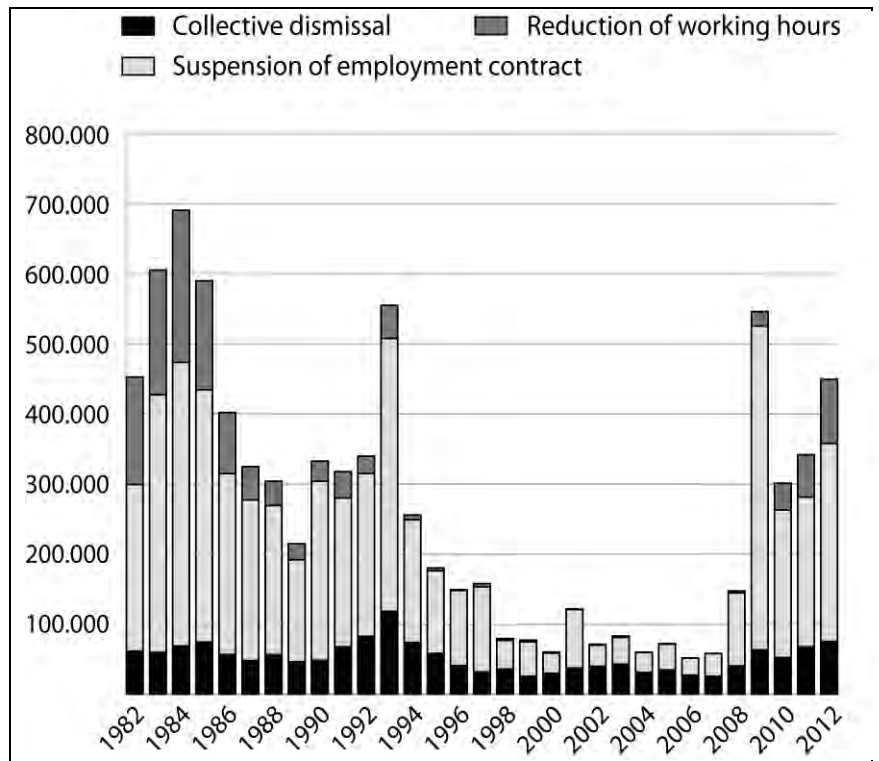


Figure 2.a. Company closures in Spain 1982-2012 by number of affected employees.

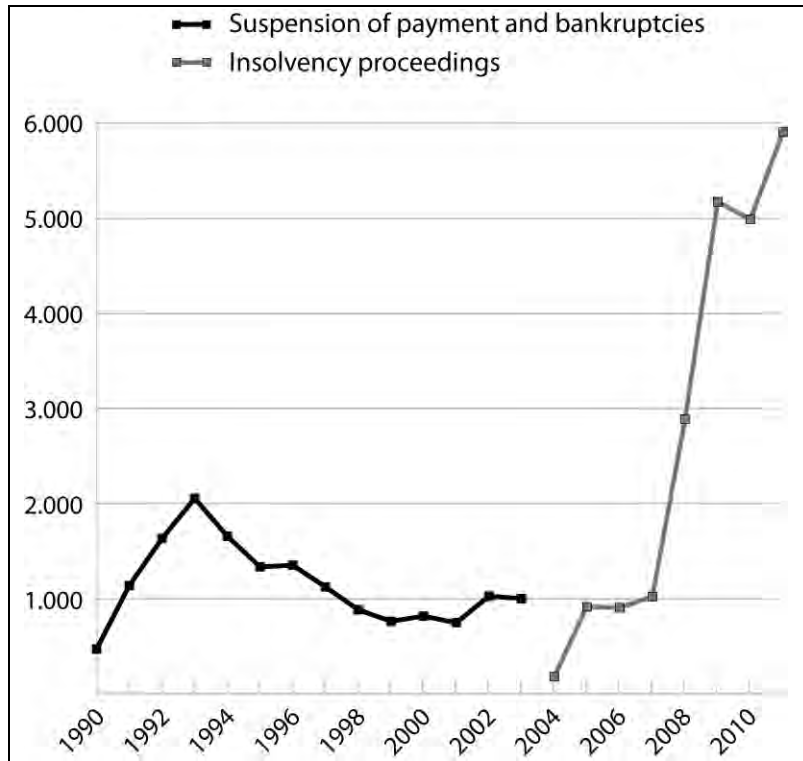


Fig. 2.b. Suspension of payment and bankruptcies (1990-2003) and insolvency proceedings (2004-2011) in Spain. Number of affected companies.

If a worker is legally fired (and under the current legal regime, most firing situations these days are legal), all workers are entitled to a compensation of twenty days' worth of salary per year worked. Needless to say, such quantities do not represent a large safety net. Once unemployed, a worker receives 70% of his previously earned salary for the first six months of unemployment, after which, his compensation is reduced to 50% of the originally earned salary for up to a maximum of 24 months. These percentages of unemployment compensation are high compared to those earned by unemployed citizens of other countries, such as those of Scandinavia, for example. However, the rates are less impressive if we take into account the fact that salaries in Spain have been losing purchase capacity for decades and that salaries in Spain are certainly not at a Scandinavian level in absolute numbers or relative to cost of living. At this point, uncertainty has become a part of the unemployed individual's life because it is unlikely that with half of his former salary that he will be able to maintain his/her former way of life (especially if it includes a mortgage or other household members have lost their job too). The first survival step often involves cutting superfluous costs (kids' extracurricular activities, coffees, or weekend family escapades, for instance); the next is to cut on energy consumption, and finally, food.⁷ Meanwhile, the worker is already heavily motivated to take any job at any price. At the end of the unemployment benefit period, uncertainty is complete. The minimum age required for access to a subsidy for people with low income or that have finished their unemployment contributions (426 Euros per month) has gone from 45 to 55. The minimum salary wage in 2013 is 645.3€ per month⁸.

The pressure on reduced salaries does not end here. The two main taxes, sales tax (IVA) and income tax (IRPF), have also been increased. The IRPF increase that was approved in 2011

has been extended until 2015. This increase represents a supplementary pressure of 2% on salaries between 17,000 and 33,000 Euros per year and a 3% for salaries between 33,000 and 53,400 (gross income) (ABC 2/01/2012). The IVA, which has the same relative impact on people regardless of wealth, hence disproportionately affecting lower income families, was raised from 16% to 21% between 2010 and 2012. The European Union is pressuring the Spanish government to raise it again.

People must also direct their salaries to cover new costs on the health care front: many medicines and treatment have been taken off the subsidized lists. Currently, patients must pay one Euro per each prescription and/or are responsible for part of the cost of certain medicines (decision being challenged in court). This might sound like a small increase compared to what is being paid in other north European countries, but it is significant in a context of high levels of unemployment, diminishing social benefits, two decades of declining salaries, and an increasing cost of living. In addition, the increasing length of waiting lists⁹ is pushing many into the hands of the private providers.

If these economic trends have been around for some time, what was at the core of the significant consumption increases seen at the private level? The rampant real estate appreciation pushed families that owned land or buildings to believe that their patrimony had increased significantly. Owning real estate was seen as a saving strategy and also pushed families into debt via mortgages. This increase, of course, was theoretical, as no real money was available unless this patrimony was sold. This perception of affluence, however, pushed families into “financialization”—further consumption sustained by private debt (Epstein, 2005; Lapavistas, 2009). When the real state bubble burst, long-term future work hours were committed to paying loans. Selling the house or real estate property owned was not an option anymore as, after depreciation, the sale could not cover the debt (Martin, 2002). When unemployment went up again, mortgages could not be paid, the housing crisis started, and the evictions began (López & Rodríguez, 2010).

Many families have found refuge on the pensions of their elders. Public servants and retirees are the only members with a secure salary in Spanish society. Since 2010, however, the former have lost over 20% of their salaries. They are a captive audience of the government and have suffered the brunt of the cuts implemented by successive governments. Retirees’ pensions have been frozen or effectively frozen under cost of living increases since 2012. Many retirees have less buying power than they had at the beginning of the crisis, but more people are depending on them. (Due to the increasing number of evictions the number of multifamily households is on the rise.) The European Union, again, is also pressing for a pension system reform that will not end up, to be sure, with more resources in the retirees’ pockets.

According to López and Rodríguez (2010, 229-236) since the early nineties, coinciding with the first round of labor deregulation, the massive incorporation of international workers, and the shift towards a service dominated economy, Spanish real salaries have not only stopped growing, they have started to decrease. Figure 3 shows the evolution of annual variance of the average salary versus the cost of living (IPC).¹⁰ The reduction of the space between wages and the cost of living leaves fewer resources available to households for taking care of unexpected costs. It should be noted that due to lack of data, I use average salaries instead of the truly relevant median salaries; (the median series spans only between 2004 and 2010). The short median salaries series refers to the most common salary, without the statistical interference of the higher salaries, which skews the representation by averages. In fact, the short median series we have does not show a salary freeze, but rather a steady decline of 5% (between 2006 and 2010).

The most common wage in Spain in 2010 (gross income) was 19,017 € per year. These types of salaries are the ones that endure the pressure of the increases to the cost of living and sales taxes, and the reduction of public services, and so on. With 27% unemployment (close to 50% for those under 35 years of age), many of these salaries are sustaining households by themselves, many of these households with children (Roseman, 2013). As mentioned above, currently, in 1.9 million Spanish households, every working-age member of the family is unemployed. And yet on May 27, 2013, *The Economist* was recommending that Spain reduce its wages and pensions even further.

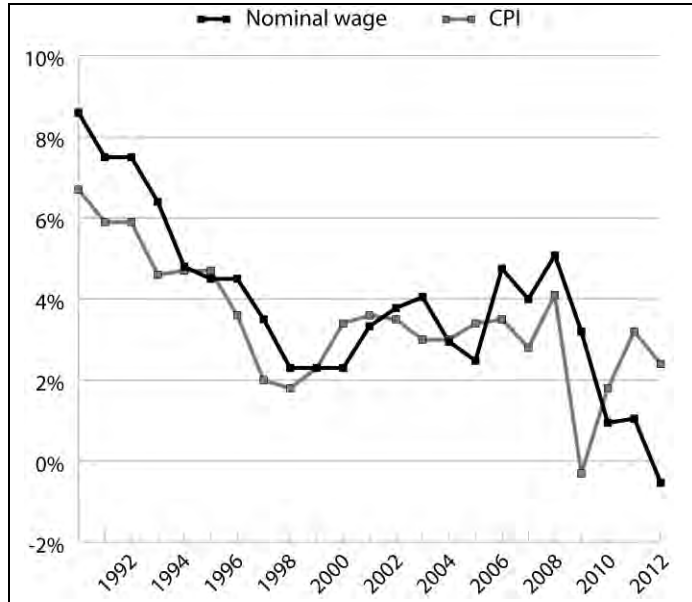


Figure 3. Average nominal wage and cost of living (CPI) evolution in Spain (1990-2012). Annual mean percentage.

This situation is compounded by the increase of the sales taxes (IVA) from 16% at the beginning of 2010 to the current rate of 21% since 2012: five percentage points in two years.¹¹ IVA is important because it is a regressive tax; the same rate is required of everybody, as it is applied to goods that are being bought. Consequently, it disproportionately affects those at lower income levels. This disparity is exemplified by figure 4, which also illustrates the increasing pressures that energy consumption has been putting on household budgets during the unfolding of the crisis.

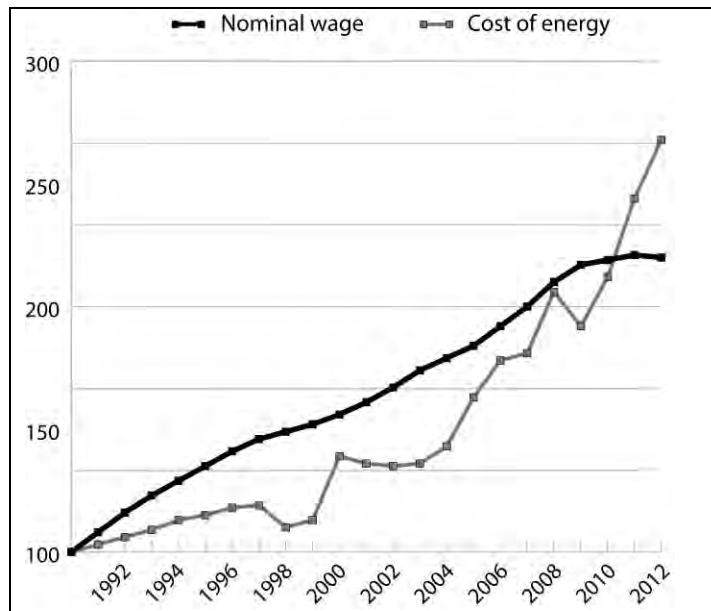


Figure 4. Cost of energy and average nominal wage evolution in Spain (1990-2012). Annual mean, cumulative increase, 1990 basis.

Domestic energy poverty is an indicator originally developed for the so called “developing countries”; however, the recent financial crisis has made it relevant to most Western developed countries as well. It indicates the difficulties households have affording the minimum levels of energy to perform basic everyday activities such as heating, lighting, or cooking. Domestic energy poverty has a significant impact on the quality of life and possibilities for social reproduction.

According to some neoliberal economists in 2009, Spain’s problems were connected to the fact the unemployment insurance benefits were “too good,” providing significant salary protection and disincentives for job search, both of which made the Spanish job market “too rigid.” It was argued that salaries were protected, while the price of goods was decreasing. Four years later, with a 27% unemployment rate (and more than 50% among people under 35 years of age) and more than 20% of the population living under the poverty line, one would hope that the labor market has reached a satisfying level of flexibility—read: uncertainty.

In 2011, the Spanish government redirected 23,500 million to its larger bank, Bankia, to ensure its viability.¹² In July 2011, the Spanish socialist government, pressed by the proximity of elections they were sure to lose, started to criticize Bankia’s management by saying that one of the banks that received public money had CEOs making 1,000 times more money than their low scale workers. The president of the bank, Rodrigo Rato, ex-minister of economy of the previous right wing government and ex-director of the FMI (2004-07) made 2.34 million€ in 2011 (600,000€ once the institution started to receive public subsidies). Half a year after leaving the institution under shocking circumstances, Mr. Rato was hired as an advisor for several important companies, including another bank and the country’s main telephone company, making a salary of well over 200,000 per year.¹³ Meanwhile, the conservative government of the Partido Popular, which took power in 2011, proclaimed a fiscal amnesty: This amnesty translated into no penalties for those that have been keeping substantial amounts of money in fiscal paradises, as well as the opportunity to legalize such accounts.

The post-2008 State is accused of inefficiency and permanent insolvency. Interestingly enough, however, in the 90s, both socialist and conservative governments privatized all the profitable public businesses, mostly within the energy and communications sectors. The state remains responsible for services that generate an inherent economic deficit but that are fundamental and cover indisputable social needs, such as justice, education, and healthcare. Since 1996, *Repsol* (oil 1996, 1997), *Gas Natural* (gas 1996), *Telefonica* (communications 1999), and *Endesa* (energy 1997, 1998, 2007), all of them highly profitable businesses, have been privatized. These days, the health system is the profiteering next frontier. In some regions of Spain, hospital management has been privatized: private companies receive hefty public subsidies to manage what the public administration used to manage. Interestingly, the main political parties have placed individuals with professional ties to the private healthcare companies in charge of the dismantling of the public healthcare system.¹⁴

The only country in Europe that during this period has reduced unemployment has been Germany. Germany has a vibrant and powerful economy, but an important role in their economy has been played by the so-called “minijobs.” In Germany, where there is no minimum wage, close to eight million people work for less than 450 € per month (gross income) and no company contributions to the unemployment or pension funds of the workers. In theory, these contracts are designed as transitional jobs, intended to gear workers towards other types of positions. This does not seem to be the trend, however. Still, the existence of minijobs erases some of the conceptual differences between being employed and being unemployed. In Germany, as in the rest of Europe, employment rates seem to be maintained thanks to the generalization of low cost jobs and of precarious and uncertain livelihoods. In fact, 55.5% of Germans that receive the social subsidy are also working; this implies that their wages do not cover the minimum levels of subsistence. According to the German newspaper *Süddeutsche Zeitung*, 1.3 million full time active workers are receiving social subsidies (el periodico, 08/05/2013). In order for Germany’s “miraculous” job market to endure, it went through its own labour reform as a consequence of the four phases of the Hartz commission recommendations between 2002 and 2005. The reduction of significant parts of the social benefits available to workers went hand in hand with the expansion of the minijob market (Hartz II). The stagnation of salaries for more than a decade has resulted in the contraction of internal consumption. The German economy, an export market, benefits from these low salaries and takes advantage of the collapse of the European partners caught in the commercial deficit trap (Poch, 2012). At the same time, the fastest growing sector in Germany during these years has been in the production of low cost-low quality products. Many Germans have either lost their taste for high quality goods, or cannot afford it anymore.

Conclusion

This article makes the case that liquidity, to combine and paraphrase Baumann (2007) and Latour (1993), is not the exclusive characteristic of late modernity. Although economic risk has increased over the last forty years in the West in comparison to the post-second World War years, risk has been a historically fundamental characteristic of the capitalist system (Polanyi, 1944; Thompson, 1968). In other words, we have *always* been liquid.

In May 2013, one of Spain’s businessmen’s associations issued a statement which urged Spanish social agents to reach consensus on facilitating the approval and implementation of Germany’s minijobs model in Spain (El País, 30/04/2013). According to the plan, people would work for 450 euros per month (with 645,5 euros per month being the current legal minimum

wage). The association's argument was that taking into account the country's current unemployment rate of 27%, any job is better than no job. In its turn, the World Monetary Fund, in August 2013, issued a report in which it urges the Spanish government to drop salaries yet 10% more, reduce the State's contribution to unemployment and pensions, and increase regressive taxes—three measures that would further reduce the resources available to low or middle income families.

Although at the very end of 2013, the unemployment rate in Spain was still over 26%, the country had one of its best years for exports. In 2013, Spanish exports brought in over 350,000 million Euros. In fact, Spain, from a percentage over the PIB perspective, became the second European export economy (*la Vanguardia*, 28/11/2013). This fact tells us, first, that internal demand was still fairly weak (as low salaries, no salaries, and no social subsidies are not conducive to stimulating demand), and, second, that the internal devaluation (long periods of extremely high levels of unemployment in order to lower salaries to decrease production costs) had been “successful.” However, the social costs of this process do not appear on the export/import balance in this type of statistics.

The creation of uncertainty is the tangible result of the pressure on individuals and households of not only the general state of the economy but also of the capitalistic state. The infamous invisible hand becomes tangible thanks to labor deregulation laws, public services privatization schemes, growth of precarious employment and structural unemployment, the legal obliteration of social rights such as unemployment benefits, modification of the retirement age, and limited access to affordable education and healthcare. Obviously, this is not a “free” market; it has never been, nor has any market ever been “free” where there was a government regulating and taxing (US or UK included). The levels of profits are regulated by political and high finance decisions.

The apparent availability of international economic resources to save banks (i.e. its debts, not the savings of its small clients) calls into question the scarcity of resources claimed by the government as justification of the reduction of social services and rights. In fact, it calls into question significant foundations of the Crisis narrative. The arbitrary¹⁵ increases in the interest that governments have to pay on the international debt market to secure the loans they need to keep their machinery working puts additional pressure on the public debt, which, in cases like that of Spain, were comparatively healthy before 2008. The government later passes along the additional costs of bailing out banks and the increased international debt to its citizens by reducing public services and increasing taxes across the board, resulting in taxes that disproportionately affect the poorer and hourly paid workers (Røyrvik, 2011). In other contexts, these kinds of practices have been described as “financial repression” (McKinnon, 1973; Reinhart, Kierkegaard & Sbrancia, 2011; Shawn, 1973). The government (in this case forced by or in collusion with other governmental entities like the EU) implements policies that redirect private funds through public channels to the international financial market. The new “business” then is the generation of profit out of the extraction of surplus taken directly from the salaries and savings of the dwindling middle class and, consequently, from their household budgets. Sweden, facing the same economic conundrum in 1992, chose not to neatly pass the cost of the bail out of the banks on to the taxpayers. Instead, guarantees and nationalizations ensured that the banks would, either directly or indirectly, return the public money they were absorbing (Dougherty, 2008). In 2011, Iceland, after a nationwide referendum, also rejected the bank bailout option. Paradoxically, during the global crisis that started in 2008, radical neoliberal governments across the Western world are implementing financial socialism, saving banks on

behalf of the common interest, while applying extreme neoliberal deregulation to the working conditions, rights, salaries, and taxation schemes of the middle and working class households (Almunia quoted in Phillips, 2008; Leopold, 2011).

The analysis of systematic commonalities between this current economic “crisis” and previous moments of tensions of capitalism questions its exceptionality: this current economic collapse seems to be more a reorganization of the system in order to reshuffle the margins and distribution of profit than a malfunction.

As a final point, it seems important to highlight that Fordism, Keynesianism, and the Beveridge and Marshall Plans were non-totalitarian approaches to crisis management. They were policies, working plans, and programs based on a certain level of social redistribution of resources with unquestionable consequences for social justice and cohesion. In a moment in which social collapse is becoming a profit-generating business, is essential to understand the fine line that separates profit from injustice and social cohesion from violence (Brenner, 2006).

As early as the fifth century BC, Heraclitus recognized the creative and destructive forces clustered around the opposition between stability and dynamism. Throughout history, a great number of social institutions have been established as attempts to bring stability and continuity to a social model. The capitalist market is unique since it is based on a trajectory that requires continuous growth. Therefore, it requires enough stability to be resilient, but this resilience requires sequential high levels of destruction that in turn enable or liberate energy for growth (Balandier, 1988; Schumpeter, 1961)

¹ International loan pressure eliminates the option for countries to internally depreciate their currencies, for if the country has significant debt, the depreciation will radically increase the actual debt.

² The European job market, however, especially the Spanish job market, has been characterized as a rigid system due to its social protection mechanisms and the unwillingness of families to relocate (i.e. the way US professionals often do for job opportunities). This lack of mobility has often been blamed on the multiplicity of languages of the European Union, which act as a deterrent for integration.

³ Gramsci (1977).

⁴ Incidentally, this very same agenda, with some contextual modifications was implemented since the 1950s in the postcolonial world via the imposition of Structural Adjustment Plans by the International Monetary Fund (IMF) and the World Bank (WB): economic diversification (a traditional risk aversion strategy) was discouraged and replaced by specialization on raw material export (effectively condemning these countries to suffer the vagaries of the fleeting market), social programs and guarantees downsized or eliminated, and so on. Uncertainty was created at a national and household level; effectively creating indebted countries and impoverished families without alternatives but work for nothing on the plantations and factories nourishing the Western societies.

⁵ 30,000 employees of the IBEX35 were affected in 2012 by an ERE (Company regulation Report that can result on reduction of working hours, salaries, or unemployment) (Herrera 2012).

⁶ The IBEX 35 is the Spanish equivalent of the Dow Jones.

⁷ At this point two new indicators have been developed or have taken relevance in Western politics: energy poverty (correlation between salary and possible use of energy), and food insecurity (in Greece this insecurity affects in March 2013 10% of kids). Meanwhile neoliberal politicians are reducing subsidies to the schools that must stop providing free or cheap lunches to their students.

⁸ Although on May 31st the Central Bank of Spain (BCE) proposed to allow companies to hire people under this threshold. This proposal was, “of course”, to help workers that have more difficulties to find jobs (less qualifications or middle aged). To have a dignified salary to feed their families seemed less of a priority to the overpaid bank managers.

⁹ In 2013 patients receive appointments as long as eighteen months in the future for a knee examination after being referred by the general physician or six months for an echography.

¹⁰ We are using here averages. This graph, therefore, includes the upper salaries that are still growing. The salaries of the IBEX industries advisors went a 4% up in 2011 making their average salary 279,300€. The national average salary for that year was 22,790€ (el País 3/06/2013).

¹¹ It went from 12% in 1985 to 15% in 1992. Reached 16% in 1997 until the previous socialist government raised it to 18%. The current conservative pushed IVA to 21%.

¹²For an explanation of what could have been done in Spain with that amount of money see:

<http://www.unitedexplanations.org/2012/05/29/rescate-de-bankia-que-podria-hacer-espana-con-todo-ese-dinero/>

¹³ The famous revolving and fairly shameful door that questions the very core of modern Spanish politics. For a list of two ex-presidents and twenty ex-ministers

see: <http://www.20minutos.es/noticia/1653786/0/ministros/sueldos/empresas/>

¹⁴ Mister Lamela was, between 2003-07, the councilman of health care for the Community of Madrid (Partido Popular). He started the process of privatization of the health system. He is currently CEO of a company that manages one of the hospitals he privatized in 2005. The politician that followed Mr. Lamela, Juan Jose Güemes, after being forced to resign has also joined the private sector with a company that benefited from his privatizations. In Catalonia, things are not much better. The Healthcare councilman, Boi Ruiz, of Convergència i Unió since 2010 was, before becoming a public official, maximum responsible of the association of private healthcare businesses. He appointed Josep Prat as director of the Catalan Institut for Health (Institut Català de la Salut, ICS): a position that he held at the same time as he was CEO of a multinational insurance company. Its management plans included privatization or reduction of the public sector opening venues for the expansion of the private healthcare. During the mandate of all these officials the quality of the public health system (waiting list time, number of beds, and so on), not surprisingly, seems to have deteriorated.

¹⁵ Arbitrary in the sense that a rumor, true or false, on governmental interventions, interest rates possible changes, other countries difficulties and so on.

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