



## IP JOURNAL

# Deficit Theater

### The defiance and the deference

27/03/2012 | from [Lucas Laursen](#)

Category: [European Union](#), [Spain](#), [Southern Europe](#), [Europe](#)

**The effects of the eurozone crisis have been felt around the world, but it is Europe's periphery that has been hit hardest. Staggering levels of debt and rising unemployment have brought social unrest and a re-think of the EU structure. In this dispatch from Madrid, Lucas Laursen brings us the first in our View from the Periphery series.**

After the curtain drew on the European fiscal pact meeting in Brussels on March 2, Spanish Prime Minister Mariano Rajoy announced that Spain would miss its European-imposed government budget deficit target of 4.4 percent of gross domestic product (GDP). Instead, he said, Spain's national government would aim for a 2012 deficit of 5.8 percent of GDP, down from 8.5 percent under his predecessor in 2011. Some Spaniards described his announcement as an assertion of Spanish sovereignty and a rebuff of German Chancellor Angela Merkel's continual demands for austerity. Outside observers speculated that Spain, the second-biggest economy of the so-called PIIGS countries, might lead a revolt against new fiscal rules.

No politician wishes to take the blame for collecting new taxes or making painful spending cuts. In Spain, then, politicians could find it convenient to blame iron-fisted Germany, or at least ham-handed eurocrats in Brussels, for the budget cuts they must announce by the end of March.

But that is not happening. While Rajoy's theatrical timing may earn him some popularity at home, he has not tried to blame the present austerity on Europe. He does not need to: Rajoy's Popular Party (PP) won an absolute majority in November's national elections. While the PP held off on releasing its 2012 budget until after last Sunday's regional elections, the party already treats its widespread victories as a mandate for tough reforms. Pointing the finger at Europe is not a very successful strategy in Spain anyway, says Jose Ignacio Torreblanca, a senior fellow at the European Council on Foreign Relations in Madrid. "Since politicians know that citizens won't listen to anti-European messages, they don't bother with inflammatory statements," he says.

Polls agree. Spaniards are vocal critics of the crisis, but they place more blame for economic difficulties on their own institutions, such as the government (40.0 percent), the Bank of Spain (38.0 percent), and commercial banks (60.8 percent), than they do on

European institutions such as the European Union (28.8 percent), the European Central Bank (34.1 percent), or the euro (31.7 percent) according to a December 2011 poll by the Center for Sociological Research in Madrid.

If Spaniards resent Germany for its leadership on European fiscal reform, they still prefer it to the alternatives. Germany earned the highest popularity score (6.5 out of 10) among Italy, the United States, Greece, Portugal, and Russia in a December 2011 poll by the Elcano Royal Institute. Even Merkel comes in second only to Barack Obama when compared to the heads of state of Britain, France, Portugal, and Russia.

Torreblanca assigns some of that goodwill to history: unlike Greece or Italy, Spain has no recent history of military confrontation with Germany. Both Spain and Germany underwent traumatic dictatorships driven in part by excessive nationalism which may have also shaped their attitudes toward Europe and each other. Torreblanca says that in post-dictatorship Spain, as in post-war Germany, "nationalism has only been acceptable in the framework of Europeanism."

Still, Spaniards are not complacent about the cutbacks. One protest against labor reforms swept Madrid on March 11, displacing even commemorations of the 2004 Atocha train bombings. Indignant Spaniards are calling for a general strike on March 29, the third since this recession began and the first since the formation of the new government. Yet that is a form of theater, too: it will take place after last Sunday's two regional elections and only a day before the government must release its 2012 budget, too late to change the outcome of either. The tension there is national, between those with comfortable employment contracts and those trying to make it easier to fire existing employees and hire the young and the long-term unemployed.

Spaniards do resent European stereotypes about being lazy southerners, Torreblanca says. They are proud that unlike Greece and Portugal, which required European bailouts, or Italy, which appointed a technocrat government, their elected officials began enacting reforms on their own, he says. Those internal steps have helped keep interest rates on government debt at bay and may help mollify European deficit hawks, Torreblanca argues: "The government had the space to change the deficit objectives precisely because they had the credibility of having made large reforms."

Yet by mid-March, in a show of deference to Brussels, Rajoy agreed to trim the deficit another half percentage point to 5.3 percent. So first Madrid saved face and then Brussels saved face and now both can continue the long slow process of fiscal harmonization.

LUCAS LAURSEN is a Madrid-based journalist. He has contributed to *The Economist*, *Nature*, *Science*, and *Technology Review*.