Spain: Socialists as Neoliberals

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THE CRISIS OF ADVANCED CAPITALISM has presented a major challenge for all Western European social democratic parties in the 1980s.[1] The challenge is manifest most recently in electoral results: only the Spanish and Greek socialists have managed to win reelection during the 1980s. Most European social democratic parties are currently in opposition or in minority or coalition governments. On the ideological front, the social democratic left is confronted with a crisis of perhaps greater proportions. Due to technological developments, increased international competitiveness and interdependence, among other factors, the growth-cum-redistribution model that formed the underpinning of the social democratic left has come undone, apparently for good.[2] Consequently, Western European social democrats have become vulnerable to attacks from the neoliberal right and the green left.

Organizationally, social democrats are fighting an uphill battle to sustain membership in parties and affiliated unions and to adapt to the emergence of grass roots and single issue movements. The crisis of the 1970s and 1980s has exacerbated the internal fragmentation of several parties and threatens the coherence and unity of others.[3] The British Labour Party and the German Social Democratic Party, traditionally two of Europe's most influential and powerful social democratic forces, have suffered severe internal schisms. The economic crisis that brought staggering levels of unemployment and increased social alienation has not worked to the benefit of social democratic parties, but has instead only deepened the quagmire in which these parties feel trapped.[4]

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ALMOST WITHOUT EXCEPTION, and whether in government or in opposition, the social democrats of Europe have responded to this crisis by adopting neoliberal, market-oriented economic policies, and centrist or even conservative domestic social policies, while reaffirming a cautious foreign policy orientation. Relatively few attempts have been made to find progressive solutions to the crisis, and little headway has been made in the search for an alternative social democratic vision to replace the discarded Keynesian growth-cum-redistribution model.

In northern Europe, the crisis of advanced capitalism and the social democratic attempt to respond to it have emerged gradually since the mid-1970s. Most of these parties had long since abandoned democratic socialist ideals for a social democratic vision that firmly embraced the capitalist system, while calling for substantial redistribution of income and political power.[5] In the 1970s the British, West German and Swedish social democrats implemented austerity policies in response to the economic crisis prompted by rising oil prices. The relative prosperity of the northern countries, and the relatively weaker impact of the economic crisis of the late 1970s and early 1980s there, made the adoption of such policies by leftist governments somewhat more palatable, but ultimately proved politically expensive.

In the South, however, both the economic crisis and the social democratic response to it have been collapsed into a remarkably short period, and have produced more severe contradictions. Unlike northern Europe, where the social democrats shared, and often dominated, power during the post-War period, the southern European social democrats were virtually excluded from power until the late 1970s and early 1980s. While in 1975 no southern European social democratic party had governed for over twenty years, by 1982 there were socialist parties in government in France, Spain, Portugal, and Greece, followed by the Italian Socialists' capturing of the prime ministry in 1983. Indeed, just as the dominance of the social democratic left began to erode in the north, southern European counterparts ex-

perienced an historic sweep into power.

While until quite recently the parties of the South formally espoused democratic socialist ideology, all of them came to power on social democratic platforms that included significant redistribution of income (including nationalization of industry in some cases), an improvement of social services, major social reforms, and a more independent foreign policy vis-à-vis the major power blocs. In effect, the social democratization of these parties, a process that spanned decades in northern Europe, took place within a matter of years, and in most cases, while the parties were in power.

HOWEVER, THE SOCIAL DEMOCRATIC left's honeymoon in southern Europe soon ended. Upon taking power, the southern social democrats quickly embraced economic austerity policies and toned down their foreign policy proposals. While the electoral picture was not as bleak as in the North (by 1987 socialist parties still commanded absolute majorities in Spain and Greece, but had lost power in Portugal and France, and appeared stalemated in Italy), the ideological bankruptcy of all the parties was, if anything, even more apparent in the southern European countries, where poorer economies, more severe inequality, weaker trade unions, and higher levels of unemployment made the neoliberal economic policies imposed by socialist governments more costly.

The rapid drift to the right of the southern European social democratic left has many interrelated causes. Much of the ideological baggage of these parties had accumulated during the long years of opposition, especially where the socialist opposition struggled against authoritarian regimes (Greece, Spain and Portugal). The presence of strong communist parties pulled these parties toward the left. The longevity of authoritarian regimes (two of them in NATO and all closely allied to the United States) formed the basis for a strong anti-imperialist and *tercermundista* emphasis in the foreign policy of the Greek, Spanish and Portuguese parties. The persistence of pockets of extreme inequality in all of the southern countries also gave a more traditionally socialist hue to programs and platforms of the southern parties. The sudden democratic transitions of Greece, Portugal and Spain, and the equally historic end of conservative domination of the

French Fifth Republic, caught the socialist parties unprepared for their rise to power. Thus, it is hardly surprising that these parties have jettisoned much of the rhetoric of the "permanent opposition."

While the timing, strategies attempted, and individual circumstances have differed in the southern European cases, the results have been strikingly similar. The Portuguese socialists, faced with the need to consolidate a fragile democracy against the attacks from the left and right, and handed a peripheral economy in ruin, quickly sought to repair the capitalist system and almost immediately abandoned their democratic socialist rhetoric for a moderate social democratic platform and a neoliberal set of policies while in government. The French socialists, unencumbered by the problem of regime consolidation, embarked on an ambitious social democratic strategy in their first year of government, but soon adopted neoliberal policies. The Spanish Socialists had jettisoned most democratic socialist rhetoric before coming to power, but once elected in 1982 they failed to implement a social democratic platform far more moderate than that of their French counterparts. Papandreou's PASOK has retreated from its anti-US foreign policy and has implemented a harsh economic austerity policy. In short, there were high hopes that in the 1980s the southern European democrats would "show the way" for their frustrated northern colleagues, but these hopes have been dashed.

Thus, despite the divergent political trajectories of the northern and southern parties, social democrats throughout Western Europe are faced with an essentially similar strategic and ideological quandary. The most urgent question facing them may be whether and how these parties can find their way back into government. New electoral alliances, whether with forces to their left or right, may need to be explored. Attempts to appeal to new social groups, including women, youth, unemployed workers, environmentalists, peace movements, etc., will have to be considered. The very nature and worth of the traditional social democratic party organization will likely be placed on the drawing board.

A strongly related set of ideological concerns, postponed or

largely ignored until recently, must also be examined. Foremost among these is the need to articulate a new social democratic vision which can distinguish the goals of the left from those of the right, and which can provide a long-term political objective for which short-term sacrifice might be justified. Ultimately, Western European social democrats will have to determine the meaning of social democracy in an age of contracting employment, slower growth, increased international competitiveness, and greater social class complexity.

Socialism in Spain

PRECISELY BECAUSE OF its considerable political success, the recent governmental experience of the Spanish Socialist Workers Party (PSOE) provides an ideal illustration of the overall crisis facing social democratic parties in the 1980s. The PSOE came to power after winning an absolute majority in the October 1982 legislative elections. Its party program called for a typically Keynesian stimulation of the economy in order to create 800,000 new jobs, thereby reducing Spain's alarming unemployment rate (over 16 percent in 1982). While eschewing nationalization of industry, the PSOE did call for a significant redistribution of income and vastly increased social expenditures. The Socialists advocated Spain's withdrawal from NATO, and promised a referendum on the issue.

Once in power, the Socialists abandoned each of these commitments. The government almost immediately embarked on a harsh economic austerity program and instituted a severe industrial "streamlining" plan. By 1987 over three million Spaniards were unemployed. Spain suffered from an unemployment rate of over 21 percent in the overall population, and over 40 percent among 20-24 year olds—the highest rate of any developed country. The PSOE had banked on an economic recovery that, coupled with lower inflation and increased foreign and domestic investment, would create new jobs. But to date the economic recovery has been slower than expected and has not reduced unemployment. During the "hot spring" of 1987, many sectors of Spanish society violently attacked the Socialist government's political economic policies, and Spain experienced the highest level of mass protest and mobilization in years. As early as 1984 the government had also changed its position on NATO membership, and in 1986 the Socialist government held a referendum in which the PSOE successfully convinced a majority of voters to approve Spain's continued membership in the Atlantic Alliance. By early 1984 one scholar was calling the PSOE "Spain's new centrist party."[6]

Yet despite their blatant abandonment of the 1982 electoral pledges, the Socialists continued to chalk up political victories. The PSOE has managed to dominate local and regional government, and scored its most stunning victory in the March 1986 NATO referendum. The Socialists won a second absolute majority in the June 1986 general elections, and, though weakened somewhat, continued their political hegemony in the June 1987 municipal, regional and European Parliament elections.

The following discussion addresses this apparent paradox on three interrelated but somewhat distinct levels. First, it seeks to explain *why* the PSOE leadership abandoned the 1982 electoral program upon assuming power. What set of factors convinced the party leadership to implement neoliberal solutions to the economic crisis, and to reverse the PSOE's opposition to NATO membership? Second, it attempts to explain *how* the PSOE was able to reverse its political economic and foreign policy once in office. What strategy did the party leadership employ in order sell these policy reversals to PSOE members and the public at large? Why were the internal party political costs and the external electoral costs so low? Finally, and perhaps most importantly, how have the Spanish Socialists reconciled their policies in government with the broader and more long-term goals of social democracy? Does the party view its short-term economic and foreign policy as the means with which to achieve a long term set of objectives? If so, what are these objectives, and if not, what are the implications for the future of the PSOE?

The Momentum of Compromise

IN ORDER TO EXPLAIN THE PSOE's behavior in the transition to democracy (1976-1978), it is important to consider the traumatic experience of its only previous participation in government, during the Spanish Second Republic (1931-1936).[7] Until

1931, the PSOE had been a weak and marginal actor in Spanish politics, but the Socialists played a central role in the foundation of the Republic and rapidly became the most powerful political force in the abbreviated democracy. Spanish Socialists subsequently drew important lessons from this intense and tragic democratic experience.

No lesson was more widely internalized within the party than the costs of democratic breakdown. Javier Solana, current Minister of Culture and chief government spokesperson, summarized this view during an interview shortly before the PSOE took power:

> Democracy and its consolidation come first, before our political programs.... Because the Spanish right has shown that it can live very well under both authoritarian and democratic regimes, while the left can only survive within a democratic framework. We have a lot of pain and suffering, and many years behind bars, to prove that.[8]

THE UNWILLINGNESS OF SOCIALISTS to risk any behavior that might contribute to a return to authoritarian rule goes a long way in explaining why the PSOE eventually abandoned its call for a *ruptura democratica* (a complete democratic break with Franquism, imposed by the democratic opposition) and accepted the *ruptura negociada* (a negotiated democratic break). The PSOE was originally very skeptical of Adolfo Suarez's transition to democracy, orchestrated almost entirely from within the Franquist regime, and with no guarantees for the democratic opposition.[9] But as soon as Suarez's strategy appeared likely to succeed, and when it became apparent that the Socialists were in no position to impose any alternative, the PSOE became a key supporter of the plan. During the writing of the Spanish constitution and the consolidation of parliamentary democracy the Socialists established themselves as a party deeply committed to the new political order. Continuing opposition to the new democracy by some sectors of the military, culminating with the foiled coup of February 1981, only served to enhance the Socialists' desire to protect democracy at all costs.

Many Socialists, reflecting on the Second Republic, also felt that Party leaders had incited premature mass mobilization, a process that at times had spiraled out of control and that had unquestionably contributed to the atmosphere of political polarization that preceded the outbreak of the Spanish Civil War. This widely held view helps explain why the PSOE avoided strategies of mass mobilization during most of the transition, although this restraint is at least as much the result of a weaker trade union movement and far less polarized polity in contemporary Spain.[10]

A third legacy of the tragic experience of the Second Republic, and one very strongly enhanced by Spain's peculiar transition to democracy, was the belief that intramural party conflict and fragmentation must be prevented at all costs. The ideological, organizational and personality struggles within the PSOE (like most other parties) during the Second Republic was widely seen as having weakened the Socialist struggle and to have facilitated a democratic breakdown. While in the early 1970s Felipe Gonzalez and Alfonso Guerra established control over the PSOE machinery only by provoking a party schism, they would later rule the Socialists with an iron hand, convinced that internal coherence was the key to political success.

Since Spain's transition to democracy was largely the product of elite-level negotiations, first between Suarez and the Franquist right, and later between Suarez and the democratic opposition, the role of the PSOE leadership, and more specifically Felipe Gonzalez, was greatly reinforced. In fact, Spain's transition to democracy can be seen as a process whereby party leaders, lacking a strong and tested mass constituency, gained political legitimacy, public visibility and credibility through private negotiations with Suarez. Throughout the transition to democracy, Gonzalez always preferred negotiation to confrontation, and consistently opted for elite-level compromise over mass mobilization and confrontation.

Neoliberalism: The Rebuilding of the PSOE

DESPITE THE PSOE'S COMMITMENT to consensus and compromise, and somewhat at odds with such a strategy, the Socialists entered the democratic regime with a radical democratic socialist party platform. In fact, the PSOE ideology was far to the left of the Spanish Communist Party (PCE) until 1979, when the Socialist leadership began a campaign to social democratize the party platform.

While there had always been an active left wing in the PSOE (most notably during the later years of the Second Republic), the revolutionary rhetoric espoused by the Socialists in the 1970s was largely superficial and was the result of special circumstances within the PSOE and within Spain. During most of Franquist regime the remnants of the PSOE were controlled by an aging, and virulently anticommunist leadership based in exile.[11] In the late 1960s a group of young, mostly lower middle-class socialists within Spain, including Felipe Gonzalez and Alfonso Guerra, began to rebuild the PSOE.[12] Their youth, their clandestine party structure, their struggle against a well entrenched authoritarian regime, and the European-wide radicalism of the 1960s, all contributed to a rather unsophisticated revolutionary socialist ideology. However, if the young socialist organizers inside Spain lacked ideological sophistication, they were nevertheless far more in touch with the realities of the country in the twilight of Franquism, and they had considerable success rebuilding the inert PSOE organization.

When in 1974 Felipe Gonzalez and the Spain-based Socialists wrested control of the PSOE away from the old guard, the party ideology took a radical turn to the left. The 1976 27th PSOE Congress defined the PSOE as "mass, Marxist and democratic" and rejected "any attempt to accommodate capitalism, or any simple reform of the system."[13] It called for the "transformation of individual or corporate ownership of the instruments of labor into collective social property." The Socialists planned to nationalize banks and over two hundred large enterprises. But as the young leaders consolidated their control over the party, and as it became apparent that the Suarez strategy could indeed produce a democratic regime, the PSOE's radical party platform became increasingly awkward. While as late as 1977 party leaders continued to make surprisingly radical statements on political economic and foreign policy matters, by 1978 Gonzalez had decided that a substantial ideological overhaul was necessary.[14]

There were two major reasons why Gonzalez and the PSOE leadership sought a substantial moderation of the party ideology and platform. The first and most important reason was the logic of elections.[15] Public opinion specialists linked to the PSOE presented well documented arguments that only through a more

moderate electoral appeal could the Socialists hope to gain a majority of seats in the legislature.[16] Survey data consistently demonstrated that Spain's electorate anchored only slightly to the left of the political center. In the 1977 and 1979 general elections the PSOE was still viewed by many voters as too radical, and this weakness was exploited adeptly by Suarez in both campaigns. Party leaders felt increasingly that the PSOE must broaden its appeal to include the vast "middle classes" and to encompass traditionally shunned sectors of the electorate (e.g. the church, small farmers and entrepreneurs). Jose Felix Tezanos, the party's leading survey specialist, argued in 1979 that:

> An incorrect definition of the class nature of the PSOE that fails to take into account new social realities, or that looks down at or ignores the importance of these new social sectors, could not only lead to a dangerous isolation, preventing the achievement of an electoral majority, but could also cause serious political setbacks.[17]

Party leader Gonzalez echoed these views during a well publicized interview during the same year:

> There can be no democratic social transformation without a majority. An in order to obtain a majority it is essential to represent a much wider spectrum than originally planned. An example will suffice to illustrate what I am saying: There are twenty-six million voters in this country, out of thirty-six million citizens. Of these voters, thirteen, or fifty percent, are not in the active population, but this half can decide the future of our country with their votes.[18]

Second, Socialist leaders were seriously concerned about threats to the consolidation of democratic rule. Since the beginning of the transition, the PSOE had reestablished itself as the major force on the Spanish left, and it had recovered a great deal of legitimacy. The Socialists had absorbed competing socialist parties, and had built a stronger political machine. Its general secretary was among the most charismatic leaders in the country. In short, democracy had treated the PSOE well, and Socialist leaders increasingly harbored real fears about the fragility of democratic politics, concerns that were compounded by persistent terrorism and by the *Tejerazo* of February 1981.

Moreover, the slow and agonizing self-destruction of Suarez's governing centrist party, UCD, created the potential for a dangerous political polarization. As early as 1979, PSOE leaders

were fearing the destruction of UCD, or its turn to the right, and a resulting polarization between an anachronistic and questionably democratic neoliberal-Franquist right, and a radicalized PSOE left. For Gonzalez and his supporters in the Party leadership, this scenario was too reminiscent of the disastrous Second Republic. The types of reforms contemplated in the 1977 party platform would logically antagonize powerful sectors in Spanish society, but given the fragility of democracy, the PSOE leadership was not willing to initiate such a confrontation: the stakes were simply too high.

FINALLY, THE SOCIALISTS were in no position in society to advocate a radical democratic socialist platform. To begin with, the PSOE was a minuscule party, having only about 100,000 members in 1982, and having one of the lowest ratios of members to voters of any Western European political party.[19] While the PSOE enjoyed close links with the General Confederation of Workers (UGT), the UGT was only one of several competing unions within an extremely weak trade union movement. Moreover, the PSOE leadership was completely inexperienced in government. Even if a party with such a democratic socialist platform could get elected, and even if the taking of power by such a party did not destroy the fragile democracy, the idea of initiating a transition to socialism while occupying the decrepit Franquist state seemed out of the question.

The Socialist leadership's belief that it must moderate the party program for electoral reasons, and in order to help consolidate democracy, was nicely summarized by Gonzalez's statements in early 1979:

> The party has to represent the desire for social change of many social sectors that are not identified with one class, contrary to the analysis at the start of the century. Secondly, the Party has an obligation, in this historic moment, to be a source of tranquility for society, transcending the boundaries of the party itself. And it has this obligation because this role can be played only by the Socialist Party. And that is contradictory for a party based on change. This is the whole drama of the PSOE.[20]

Thus, in mid-1978 Gonzalez shocked many PSOE members by arguing publicly that the party should drop its Marxist label. The campaign platform for the March 1979 general elections was far more moderate than the 1977 version, and directly contradicted the more radical statement of party goals developed at the December 1976 27th Congress. At the PSOE 28th Congress in May 1979, Gonzalez formally attempted to remove this source of confusion by proposing an end to the Marxist definition of the party, a move that was defeated by the delegates, but was later approved at a Special Congress in September. By the 29th Party Congress in October 1981, the social democratization of the party ideology and program was complete, Marxism was relegated to the role of a purely analytical tool, and there were no longer calls for nationalization of industries or *autogestión* (participatory democracy) in the workplace.

The 1982 electoral program, like the 1979 version, proposed a typically social democratic set of policies. These included a dramatic increase in employment by strategically targeted state investment, plans to improve social services, and other redistributive measures. However, whereas in 1979 the PSOE was still widely viewed as a potentially revolutionary party, by 1982 the Socialists had effectively created an image of ideological moderation.

Consolidating Capitalism

THE PARTY'S DISTANCING from democratic socialist principles, begun with the transition to democracy, stepped up by PSOE leaders after the 1979 elections, and consolidated in the Special Congress of September 1979 and the 29th Congress of 1981, continued once the Socialists were elected to power in October 1982. The PSOE quickly shelved its social democratic program for what Gonzalez had earlier described as a consolidation of the bourgeois revolution. The 1982 electoral program, justifying its promise to create 800,000 new jobs, charged that:

> The policy of previous governments, based on rising prices, systematic reduction of labor costs, reduction of real salaries or work force numbers, and the transfer of the cost of inefficient productive apparati toward the poor, has not achieved a stimulation of investment, has depressed demand, and has increased the unemployment rate.... It is absurd to think that this country will tolerate policies whose only results are the maintenance of the old power structure—economic, political and social—at the cost of

unemployment, reduction of salaries and a regressive budget.[21]

The PSOE advocated a political economic policy in which "public investment will be the motor of the economy" and called for a variety of labor sharing policies, including a reduced work week, increased minimum schooling age, and early retirement schemes. The Socialists made a clear commitment to the "maintenance of workers' purchasing power," improved unemployment and pension programs, and an overhaul of Spain's regressive fiscal system.

While clearly recognizing the importance of economic efficiency and the need to restructure the heavy industrial sector, the PSOE unambiguously stated that "employment is the first priority of the Socialist program." Only four years before becoming president, Gonzalez had stated that "success in addressing the problems of the Spanish economy...cannot be measured simply by the reduction of inflation or the national debt, but rather by the extent to which these measures are able to avoid creating massive unemployment and avoid weakening the productive structures upon which the economy will be built."[22]

When the Socialists took power they inherited an economy in severe crisis, plagued by high unemployment, low growth rates, declining investment, rising inflation, and balance of payments problems.[23] The crisis, virtually ignored by centrist governments during the politically sensitive years of the transition, was far worse in Spain than in the rest of Western Europe. The neocorporatist economic pacts arrived at during the transition had been made possible only by avoiding politically costly attacks on inflation, low productivity and the budget deficit. By 1982 the economy was grinding to a halt, and a continuation of "social procrastination" was no longer possible.

RATHER THAN IMPLEMENTING the expansion-oriented, job-creating political economic policies called for in the 1982 platform, the Socialists immediately moved to implement a set of harsh austerity measures, embarking on what some observers considered the first genuine economic stabilization program since 1957.[24] It was directed by Economics Minister Miguel Boyer, a social democrat with ties to international finance, and a technocrat on the fringes of the PSOE. The two main facets of this

program were economic austerity (limiting wages and government expenditures) and "streamlining" of heavy industry (immediate layoffs of 65,000 workers and a more gradual reduction of the workforce thereafter). Boyer was opposed to the economic (and foreign policy) gist of the Socialist platform, but he was supported unconditionally by Gonzalez.

The PSOE government's first acts were to devalue the peseta eight percent, and to enact large increases in the price of gasoline, electricity and public transportation. The first Socialist budget, presented in April 1983, was far more austere than expected. While budgets continued to rise during the first four years of Socialist government, only three budgetary categories did not suffer cutbacks as a percentage of the total outlays: the public sector debt, social security, and regional expenditures. The government soon drafted measures to deal with each of these three unruly categories. The debt was to be offset by public sector wage restraint, a large increase in taxes (an income tax hike of 20 percent was announced in September 1983) and a comprehensive fiscal reform. Spiraling social security costs would be controlled by cutting pensions, tightening up the rules for pension recipients, and increasing worker and business contributions to the system. The unwieldy regional structure and the resulting drain on the budget were to be resolved by a law designed to curtail the autonomy of some regions.

NO SOCIALIST POLICY was more controversial than the reform of Spain's costly social security system.[25] The government's industrial streamlining policy led to a rapid rise in unemployment and increased outlays directed toward the social security system. The government passed measures to limit costs by capping payments for injured, sick and elderly persons, and by tying pension increases to cost of living adjustments. The most controversial measure of the reform increased from two to eight the minimum number of working years required to earn a pension.

The Socialists' determination to pursue industrial streamlining at the expense of short-term employment was apparent as early as January 1983, but was only formally articulated in May of that year, when Carlos Solchaga, Minister of Industry and Energy, announced that the creation of the promised 800,000 jobs was no longer possible. The closing of the huge steelworks at

Altos Hornos del Mediterraneo in Sagunto (near Valencia) sparked an almost endless series of demonstrations and factory occupations. The program has continued into the PSOE's second term, punctuated by violent demonstrations of worker combativeness, culminating with the hot spring and the near state of siege conditions in the northern town of Reinosa in April 1987. The Socialist economic policies resulted in a steady rise in unemployment. In the first four years of PSOE government 734,300 workers lost their jobs, and by early 1987 the total number of unemployed surpassed the psychological barrier of three million.[26]

Despite the Socialist pledge to maintain purchasing power, workers lost ground between 1982 and 1984. Real salaries dropped 1.5 percent in 1982, 0.3 percent in 1983 and 3.9 percent in 1984 (the most severe year of the austerity policy).[27] In order to reduce the deficit and promote industrial streamlining, the government raised taxes considerably, but the Socialists increased taxes on households more than businesses, on consumption more than on income, and on salaries more than capital.[28] In addition, with Spain's entry into the Common Market, or EEC, the government was obliged to implement the heavy and indirect Value Added Tax in 1986, placing further strain on the poorest Spaniards. During the first years of PSOE government, individual and regional income inequalities were exacerbated.

MUCH OF THE OTHER MACROECONOMIC data were more positive for the Socialists. Inflation was steadily reduced, reserves increased, the balance of payments improved dramatically, and economic growth picked up somewhat. The government was far less successful limiting the increase of state expenditures, mostly due to a large increase in the public sector debt. On the whole, the Socialists effectively streamlined the Spanish economy, creating a better climate for foreign and domestic investment. A boom in the Spanish stock markets, and a flurry of important direct foreign investments, were widely interpreted as an entrepreneurial vote of confidence in the government's policy. Although concern about the large budget deficit continues, major international economic institutions have given the Socialist political economic policy a seal of approval.

Notwithstanding these accomplishments, the persistence of high levels of unemployment cast considerable doubt about the overall success of the PSOE strategy, and it raises questions about its ultimate consequences. When abandoning the pledge to create 800,000 jobs, the PSOE argued that the streamlining of the economy would create the basis for future job growth, but to date such hopes have not been realized. In the words of one critic:

> Short-term sacrifice and streamlining of the economy are acceptable. The PSOE did it with more honesty and austerity than the right could have. But what long term vision does the PSOE have that is different from that of Reagan or Thatcher? What future gain will justify the undeniable decline in real salaries under the PSOE government?[29]

Moreover, the government's commitment to channel scarce resources into the most technologically advanced and most highly competitive industries cannot be realistically reconciled with the desire to absorb the vast army of unemployed into the work force. The PSOE has made Spanish capitalism more efficient, but as one observer noted, "efficiency, as an end, is the main characteristic of neoliberals and neoconservatives."[30]

From "NATO No" to "NATO Si"

AS WAS THE CASE WITH economic policy, many aspects of Socialist foreign policy in government were diametrically opposed to the 1982 party platform, although there was more vacillation and division within the government over this.[31] From 1982 to 1987, but especially after the resignation of Foreign Minister Fernando Moran in 1985, Socialist foreign policy became markedly more cautious and conservative.

No issue better illustrates the PSOE's foreign policy evolution than its reversal on NATO. The PSOE had only a short history of opposition to NATO, dating from Gonzalez's consolidation of power within the Party, in the 1970s. Despite the fact that almost all of its European counterparts had long endorsed it, the Socialists vigorously opposed the decision of a UCD government in 1981 to enter Spain in the Atlantic Alliance. Gonzalez had been a particularly outspoken opponent of NATO entry, calling the Atlantic Alliance "nothing more than a military superstructure built by the Americans to guarantee the survival of

capitalism" and accusing it of attempting to "prevent all possible revolutionary transformation of the capitalist systems themselves."[32]

In the fall of 1981 the PSOE mobilized its supporters in a call for a nationwide referendum on the NATO issue, and the October 1981 29th PSOE Congress called for a withdrawal from NATO. The presence of most PSOE leaders at a huge anti-NATO rally in Madrid in November 1981 left no room for doubt about the Socialists' opposition to the Atlantic Alliance.

Upon taking power the PSOE made good on its pledge to freeze the process of integration into NATO, and promised to hold a referendum on NATO after Spain had entered the Common Market. However, by the spring of 1983 there were signs of division within the government over the NATO issue. Most PSOE members and a majority of Spaniards continued to oppose NATO membership, but the "austerity technocrats" (fearing that withdrawal would send the wrong message to investors and other common market countries), and the defense minister (fearing that withdrawal would upset the PSOE's honeymoon with the military) favored remaining in the Alliance. Gonzalez remained undecided, but by mid-1983 his hostility toward NATO was quickly eroding. From approximately June 1983 to October 1984 Gonzalez and his government maintained a position dubbed "calculated ambiguity."

Anxious to seek a consensus within his cabinet, and wanting to prevent a left-right political polarization around the issue, Gonzalez opted for a "compromise solution" in October 1984. As a concession to pro-NATO forces, the government now proposed continued membership in the Atlantic Alliance. To NATO opponents Gonzalez threw the considerably smaller bone of Spain's non-integration in NATO's military command, a ban on nuclear weaponry in Spain, and a reduction of US troops based in Spain. In February 1985 Gonzalez announced that he would submit this new policy to Spaniards in a referendum as soon as Spain had entered the EEC.

During the March 1986 referendum campaign, the PSOE called on Spaniards to support NATO entry "...in the interest of Spain." A typical PSOE electoral advertisement warned that:

> To break with the Atlantic Alliance is to obstruct our exports; to break with the Atlantic Alliance is to hinder our industrial and technological development; to break with the Atlantic Alliance is to diminish capital investments we need in order to create new industries; breaking with the alliance would take us back to the past, to the exclusive bilateral relationship with the USA; breaking with the alliance would...create problems without any advantages in return. Your "yes" vote will be a realistic and effective one, because it will consolidate a positive situation."[33]

Despite the fact that last minute opinion polls showed pro- and anti-NATO forces to be almost even, the government's policy won approval by an absolute majority of voters, defeating opponents by almost twelve percentage points. However, the abstention rate of over 40 percent, by far the highest of the new democracy, appeared to reflect a deep popular resentment of the PSOE's handling of the NATO issue, and a bitterness over the shrewd referendum text. The government lost by large margins in the Basque Country and Catalonia, and by a narrower margin in Madrid.

The Sources of Political Success

CLOSELY RELATED TO THE REASONS why the PSOE leadership abandoned its social democratic policies once in power are the factors that reduced the potential costs of such a policy shift. Had prospects for electoral disaster, internal party dissent or massive societal protest been high, the leadership might not have adopted neoliberal policies with such zeal, and might have kept its commitment to withdraw from NATO.

In parliamentary democracy, party politicians, even on the left, are concerned first and foremost with winning elections, and on this score the 1982 electoral results were an expected windfall for the PSOE. Not only did the Socialists win a large absolute majority in parliament (57.7 percent of lower house seats, and a plurality of votes in 41 of 52 provinces), followed by equally impressive victories at the local level in 1983, but the PSOE's two major competitors (the centrist UCD and the communist PCE) were virtually destroyed in the election. The governing UCD declined from 168 to 12 seats and did not win a single constituency, while Communists dropped from 23 seats to only four. Moreover, both parties further self-destructed after their respec-

tive electoral debacles, with the UCD disappearing altogether, and the PCE splitting in two. After the 1982 elections the only serious parliamentary opposition was the conservative Popular Alliance (30 percent of the seats), a party that was also in turmoil and that, according to all electoral analyses, was simply too far right to win a parliamentary majority.

After the June 1986 elections, the situation was roughly the same. The PSOE continued to have a parliamentary majority, though slightly reduced, and there was still no serious competition to the left or right of the Socialists. The renaissance of the center under Adolfo Suarez was remarkable, but his new party (CDS) captured only five percent of the seats, and the Popular Alliance still controlled only thirty percent.

THE SUDDEN AND UNCONTESTED political hegemony of the Socialists was seen by many as a clear mandate for the 1982 PSOE program, but the party leadership was far more cautious in interpreting the results of the 1982 (and later 1986) general elections. While many PSOE voters supported the social democratic program of Socialists, others had simply abandoned the sinking ship of the centrist UCD. By 1982 the PSOE was perceived as the only party capable of forming a stable government. In short, in both 1982 and 1986 Socialist leaders were aware that the opposition had lost the elections at least as much as the PSOE had won them. The ambiguous nature of what on the surface were consecutive Socialist landslides counseled caution about abusing the parliamentary majority. The events in France, which occurred during the first year of PSOE government, seemed to support such a cautious approach: a parliamentary majority for the PSOE was not necessarily to be viewed as a majority in favor of the Socialist program.

Ironically, the major consequence of the destruction of the PCE and the UCD was to provide the Socialists with an electorally cost-free opportunity to occupy center ground in the political system. The PSOE was free to pursue neoliberal economic policies without fearing punishment by a communist left. The Socialists were confident that, barring the unlikely rebirth of the center, they could replenish the small number of lost votes on their left with the mass of "party-less" voters in the center.

The Socialists have shrewdly exploited this political good fortune. They have consistently portrayed themselves as the party of stable government, and the only party capable of striking political compromises. Public opinion studies have demonstrated a steady public approval of what is widely perceived as the PSOE's ideological flexibility and affinity toward compromise.[34] This important point helps to explain why the PSOE government won its most risky political gamble during the 1986 NATO referendum. Gonzalez took advantage of the weakness and disarray of his political rivals to launch the controversial NATO "compromise." He calculated that Spanish voters, even though opposed by a majority to NATO membership, would support his attempt to "compromise," and would not bring down the country's only possible stable government.

As the Socialists increasingly distanced themselves from the social democratic program of 1982 they discovered an additional electoral benefit. The PSOE's conservative opposition found it difficult to articulate alternative policies, since the Spanish right was essentially in agreement with the foreign and economic policies of the Socialists. In effect, the PSOE had encroached on traditionally conservative terrain, creating an awkward situation for politicians of the center and the main conservative party, the Popular Alliance (AP). During the NATO referendum campaign, AP had been cornered into advocating abstention, since it was hardly opposed to NATO entry, but did not want to support the Socialists. Otherwise, AP tried to create a political identity with a variety of social issues (abortion, education, crime) that only enhanced its image as an inflexible and anachronistic party of the right.

The potential electoral costs of the Socialists' moderation were thus eliminated, but what about the potential for internal party rebellion? After all, the PSOE leadership abandoned a set of policies mandated by the Party Congress, and that were in many cases strongly supported by party members. Two interrelated features of the PSOE are keys to understanding how the Gonzalez leadership imposed its revised policies on the Socialist Party: first, Gonzalez's charisma and power within the party, and second, the maintenance of a centralized and often authoritarian party structure.

Since taking power within the PSOE in the early 1970s, Gonzalez, together with his closest collaborator, party and government vice president Alfonso Guerra, rebuilt a shattered party and led the Socialists to power. These two individuals enjoyed unchallenged hegemony within the PSOE, and few party members, even critics, sought to eliminate Gonzalez from the leadership. Gonzalez's status as the founder of the "new" PSOE, his public charisma, and his proven electoral track record, made his position unassailable.

On several important occasions, Gonzalez used his popularity within the party to fend off challenges to his attempt to move the PSOE toward the center. The most important showdown between Gonzalez and his critics took place at the 1979 28th Congress, when the Secretary General's proposal to eliminate reference to Marxism from the party definition was defeated by the left. Gonzalez then refused to run for reelection as party leader, daring his colleagues to replace him. Since Gonzalez's critics within the party were not prepared to replace the charismatic leader, a special congress was called for September 1979. By that time, bolstered by a new set of party rules that effectively wiped out the party left, Gonzalez had strengthened his position and won a huge victory within the party. During the 30th Congress in December 1984 Gonzalez once again drew on his popularity within the party to gain acceptance for the NATO policy reversal, despite strong opposition. In the words of one internal PSOE critic, at key points Gonzalez has convinced party members and voters that the choice is between "Felipe or chaos."[35]

WHILE THE PSOE LEADERSHIP was temporarily defeated on ideological matters at the turbulent 28th Congress, it won an important, although less immediately visible organizational victory. Gonzalez and Guerra were obsessed with creating a unified party so as to avoid the type of fragmentation that had torn apart the PSOE's major competitors. They were able to pass a series of party rule changes that removed power from the local PSOE unit, the *agrupación*, and concentrated it at the provincial and regional level of the party. By implementing a strict winner-take-all electoral system for party posts and delegates to conventions, and through the use of bloc voting in party congresses,

the leadership sought to eliminate the presence of minority groups and factions within party governing organs and at congresses.[36] These rule changes were so effective in preventing a repeat of the 28th Congress turmoil that observers at the next two party congresses criticized the eerie unanimity and lack of debate, comparing the atmosphere with the Franquist and Soviet legislatures.

Strengthened by the new rules, the leadership began to intimidate internal critics by removing them from electoral lists (or demoting them), and by applying party sanctions.[37] After October 1982 the PSOE leadership added the considerable power of patronage to its defense against internal criticism. The PSOE is, from a comparative perspective, an extremely small party, and in 1984 over 50 percent of party members held some party or government post, or had appeared on a Socialist Party list.[38] The very low ratio of members to voters (among the lowest in Europe), together with the high percentage of leadership-dependent members, has stifled criticism of the leadership.

In addition to facing severe institutional obstacles and a charismatic leader, internal critics have been too divided to make an impact on PSOE policy. The leftist current known as *Izquierda Socialista* (Socialist Left) has attacked the lack of party democracy, the NATO decision and the neoliberal economic policy. The socialist trade union movement, while vigorously opposing the NATO decision and PSOE political economic policy has not shown concern about party democracy and has remained somewhat distant from the party left.

More recently, there has been serious concern about the lack of party democracy, even by those who support the leadership on most policy issues. A new set of party rules were adopted in 1984 that officially tolerates "currents" within the party, but that seriously proscribes all organizational attributes. The leadership appears to be aware that its effort to unify the party and avoid internal fragmentation has seriously threatened party democracy and has called for a renewed internal debate on a wide range of issues. However, after having crushed most internal dissent after 1979, and after breaking the back of its major opposition during the NATO controversy, the leadership's new concern for party democracy appears both belated and somewhat hollow.

FINALLY, WHAT CAN BE SAID about the role of mass opposition to the Socialists' performance in government? If the PSOE leadership was unwilling to pursue a social democratic platform, and if internal party dissenters were unable to compel it, why didn't mass pressure constrain the rightward drift of the Socialist government? Indeed, mass protest from almost every sector of Spanish society has been constant since the Socialists took power, reaching a violent crescendo during the antigovernment demonstrations of early 1987.

To date, mass pressure has often challenged government but has not forced it to change its priorities, except in a few areas (for example, concessions in the field of education were negotiated after a wave of student strikes). In part, the political impotence of disenchanted workers, students, and even professionals is due to lack of effective interest aggregation in the form of political parties or trade unions. Forty years of Franquist authoritarianism, the aforementioned crisis of the communist left, and the absence of anything similar to a green movement, has left disaffected sectors with little electoral alternative other than abstention. Parties like the PCE have done little better than the Socialists in articulating coherent and credible alternatives to neoliberalism. Were the PSOE in opposition, it might be the natural vehicle for unemployed workers, the peace movement, women, and alienated youth, but in government and with good prospects to remain there, the Socialists have not had to respond to these sectors. The PSOE has consistently won elections after periods of mass mobilization, as was the case in June 1986, immediately after the NATO referendum, and in June 1987, after the hot spring.

In summary, the Socialist leadership made a conscious decision to abandon its social democratic policies almost immediately upon taking power, and was able to do so with few costs, due to a remarkably favorable party system, an effective limiting of intramural dissent, and an "invertebrate" society that has often opposed the PSOE without being able or willing to replace it.

Obstacles to Ideological Development

IN RETROSPECT THE PSOE has surmounted an ominous set of obstacles since the transition to democracy. It has fully democratized its image in the public eye, and buried old conflicts with the Catholic Church, the monarchy, the military and the private sector. Moreover, the PSOE has become the dominant governing party and has provided the only two majority single party governments in Spain's entire history. It has done all this during generally hard times for European social democracy

Since taking power, the PSOE has avoided a political catastrophe while having had a clearly reformist (if not social democratic) impact on the economy and political system. Looking to Europe in 1982, Spanish Socialists saw plenty of social democratic parties out of power, the French socialist debacle, but no case of a politically successful socialist party carrying out progressive policies.[39] Perhaps for these reasons the PSOE leadership has put off any debate about ideology, long-term objectives, or the need to rediscover a "socialist" vision. Spain's social democratic government has not been forced to justify the implementation of neoliberal economic policies that directly increase unemployment and skew the distribution of income and wealth toward the wealthiest sectors of society. While in power the PSOE has sidestepped any discussion of whether such neoliberal policies contribute to the redistributive goals of social democracy.

Socialist leaders have consistently argued that the realization of a socialist society may take decades. Gonzalez has argued that "[it is not] possible to change a society in four years that has not been able to change for two centuries.... Here we have to measure change by decades if we want to be serious."[40] The Socialist leaders also hold that economic growth is a prerequisite for redistribution, and that workers must sacrifice in the short term in order to make long-term progress. Most recently, Gonzalez admitted on Spanish television that:

> It is true, as the unions contend, that workers' salaries have risen more slowly than the owners' income. That is the way it is all over Europe, and that is the way it should be at the early stages of recovery. Only this way can profits be invested in productive sectors of the economy.[41]

These arguments add up to an admission that PSOE leaders view capitalist democracy as the only feasible and desirable political economic arrangement for Spain. They have thus endeavored to administer Spanish capitalism more efficiently and perhaps more equitably than their conservative and authoritarian predecessors. But Spanish Socialists no longer seek to alter capitalism fundamentally in the name of equality and economic democracy.

The new emphasis on economic modernization, "efficient administration" and the desire to create "things well done" (the PSOE campaign theme for the June 1987 elections) has replaced the old concern for equality and participatory democracy (*autogestión*). The PSOE has adopted a new image, based on its technocratic-administrative capability and the charisma of Gonzalez, and it is rapidly shedding its social democratic skin. Some see such a shift as a sign of the maturity of Spanish politics, and evidence that the confrontational class-based politics of industrializing society has given way to an end of ideology of the postindustrial era. The "Americanization" of Spanish politics, in which parties put their energy into media coverage instead of grass roots organization, and in which personalities and single issues displace coherent party programs and ideological vision, is often considered to be a healthy sign that the Spanish polity has modernized.

OTHERS HAVE NOTED a number of potential dangers of the PSOE's lack of social democratic vision. The growth-cum-redistribution consensus worked admirably in northern Europe in the 1950s and 1960s, but attempts to reproduce it in the 1980s, and in Spain, face more serious obstacles. It is unlikely that growth rates similar to those of the European miracle can be replicated during the 1980s and 1990s, and even if such growth were to result, the introduction of labor-saving technology (and the resulting increase of unemployment) will make the redistribution of income more difficult.

In addition to the very unequal distribution of income in Spain, among both individuals and regions, there is an increasing probability of a more serious division between an employed elite and un-or underemployed mass. Nicolas Redondo, leader of the PSOE-affiliated trade union, UGT, has charged that "the [government's] version of market economics, presented to us as the only possible policy and as a universal panacea, is only creating more unemployment, more inequality and more misery."[42] In short, if attempts to continue the growth-cum-redistribution model in the wealthier European countries are increasingly questioned by social democrats, the potential flaws and costs of such a strategy in Spain are far more serious.

TO DATE THE PSOE HAS made no attempt to find a new political self-definition, one that no longer directly attacks capitalism but that might nevertheless give the Socialists a more social democratic image and mission. One PSOE member has complained that the PSOE has "...been left with no identity...nothing remains to distinguish it from progressive liberalism."[43] There has been little "greening" of the Spanish Socialists similar to the current developments in the West German SPD, nor have creative solutions, like the Swedish Meidner plan, been debated within the PSOE.[44] The Socialists have not placed much stock in appeals to a variety of still inchoate social groups (women, consumers, environmentalists, etc.) that might reinvigorate the party.

Socialist leaders are painfully aware that the PSOE has lost its ideological direction. Alfonso Guerra has stated that:

> Quite honestly, we cannot deny that we are faced with an attempt to weaken socialist thought and to replace it with kind of inhumane ultraliberalism. For this very reason it is more important than ever to engage in a serious and rigorous debate that will allow us to clarify where we are headed.[45]

But attempts to engage in such a debate are increasingly constrained by past decisions and are repelled by a centrist momentum within the party. Implementation of the harsh austerity and industrial streamlining plan meant the marginalization of many of party intellectuals, and the promotion of technocrats who presently see little need to rediscover a "socialist" vision. A search for new ideas is hardly considered urgent as long as the PSOE is occupied with the tasks of governing. New ideas and shifts in policy would certainly threaten some powerful sectors of the party, and there is little collective desire to rock the boat.

If the experience of northern European social democrats is any

guide, the real crisis will only take place when the PSOE finds itself in opposition, or when it is once again challenged by new parties or social movements (to its left *or* right). Meanwhile, the Spanish Socialists are content to remain in power and to construct a more efficient, though not necessarily more just, capitalist system. How and whether such a task can be reconciled with the traditionally redistributive orientation of social democracy will become more urgent questions as the contradictions of the PSOE's new centrism multiply, and as impacted social sectors clamor ever more violently for answers.

Thus, despite their political success, the Spanish Socialists are trapped by the same dilemmas facing all modern social democratic parties. Having rejected democratic socialism as unfeasible and undesirable, social democrats must now debate whether the same is true for social democracy. The possible outcomes of this debate run the gamut from the continued attraction of neoliberalism, to a renewed faith in Keynesianism, to the development of "postmaterialist" quality of life orientations ("greening"), to a creative reaffirmation of the desire to transform capitalism (including *autogestión*, the Swedish Meidner plan, or the labor-sharing socialism articulated by such writers as André Gorz).

The Spanish Socialists have officially initiated a working group within the PSOE, called "Program 2000," to begin such a discussion of a long term political vision. The fact that the group is dominated by the party leadership and has so far completely excluded all members of the PSOE left does not augur well for the enterprise. Perhaps the most interesting question for the future is whether the stifling of internal debate, the consolidation of a charismatic leadership, and the very political success of the PSOE will prevent Spanish Socialism from undertaking a serious reevaluation of the meaning of social democracy in the crisis of advanced capitalism.

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4 Mark Kesselman notes that "in most capitalist nations, the right has been the beneficiary of discontent generated by the economic crisis. Most social democratic and welfare state coalitions have been defeated by conservative political parties or have remained in office by adopting austerity policies." See his "Prospects for Democratic Socialism in Advanced Capitalism: Class Struggle and Compromise in Sweden and France" in *Politics and Society*, 4 (1982), p. 397.

5 Following Kesselman and others, this paper employs the following distinction between "democratic socialism" and "social democracy." Simply put, democratic socialism envisions control of the economy in the hands of the majority of citizens, and thus seeks to replace or move away from capitalism. Social democracy accepts control of the economy by a minority, but insists on several modifications: Keynesian intervention in the economy to foster growth and prevent unemployment; redistributive policies through welfare, tax and insurance systems; strongly organized working classes with the legally sanctioned ability to protect workers' interests. See Kesselman, pp. 397-400.

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10 In fact, the only significant PSOE-inspired mass mobilization took place in the autumn of 1981, when democracy appeared out of danger, and when the PSOE was attempting to weaken the centrist government. Ironically, it mobilized in opposition to Spain's entry into NATO. PSOE leaders subsequently regretted the campaign, feeling it had pinned the Socialists too closely to a specific policy and that it had inflated the expectations of party activists.

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