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**Analysis of the Social Implications of the European Economic Crisis. The
Spanish Case**

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Gratefulness

I appreciate my parents for the support they provided throughout my life. They have been the fundamental key for the achievement of each one of my goals, especially at this crucial point of my career. Their support has been very important for the development of this work, I have always been encouraged by them to keep going and to never give up.

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Abstract

This investigative paper develops an analysis of the various social consequences of the global economic crisis of 2008, particularly focusing on the Spanish case study. An economic decline of great magnitude was conceived years before the housing bubble burst, which directly affected the social environment that this country had. The role played by two of the most important governments since the establishment of democracy in 1978 will also be essential to understand this analysis because the different decisions and measures established for both of them have been fundamental in this process. Furthermore, the development of a Welfare State in Spain will be analyzed in order to know if this model has continued in the country during the crisis.

Moreover, it is necessary to know the actions and proposals implemented by the governments in power at each stage as well as other institutions, which have wanted to avoid the worsening situation in a country where citizens have gradually lost confidence in the system. Some direct causes such as mass unemployment, state budget cuts, and various demonstrations with the intensification of social protest have also played an important part in this environment and will be studied along this work. This analysis will allow us to know if the country has been able to offset the scope of the depression or if its atmosphere has been increasingly affected.

INTRODUCTION

During 2008, the financial bubble burst in the United States, unbalancing the economic system and causing a severe crisis worldwide. This generated great destabilization as a result of close international financial linkages, particularly affecting some of the strongest economies in the world and causing serious consequences in many areas of society. The crisis quickly spread and influenced several of the strongest countries in Europe. Spain would not be free of this scope, and succumbed to the depression, undermining the solid structure that they had had until that moment and that when, now, it would face some of the most severe economic and social consequences it had ever endured.

The main problems soon appeared: lack of job opportunities, deprivation of the health system, evacuation of homes, and lack of monetary liquidity became recurring items in day-to-day Spanish society. The population did not foresee such wear on the financial system neither were they prepared for the most aggravating situations that they faced with a crisis which, although initially was not believed to be true, had evidently come.

The present work intends to study the impacts of the crisis. I will analyze the situation of Spain from the social point of view because it has been one of the most affected countries by this situation. Additionally, I have found it interesting to examine in depth the range of social consequences that have been generated around this grim scenario.

To this end, this study will focus primarily on a broad view of the governance of the two major political parties in the history of Spain. Some of these, with the policies, decisions and measures implemented at the time of ruling, have impacted in one way or another, the understanding of the conduct of the government during the crisis. For this purpose, I have focused on explaining these features in detail with emphasis on the period since the new Spanish Constitution of 1978 because it was the point that marked a fundamental precedent in the kingdom since its consolidation.

At this moment the development of a new state began, and the decisions made by the authorities in each moment were very useful as we will see when we analyze and understand the measures taken to face the crisis. Additionally, it is essential to focus on the study of this subject because without detriment to external situations, policy management through the provisions of the representatives of the Spanish power may have contributed in various ways to the situation that has characterized Spain in recent years.

Also, it is important to mention that the global crisis had its starting point in the extension of subprime mortgages and their securitization, both of which made them very attractive to the eye of investors for their formidable profitability. Their convenient access caused a significant increase in housing prices becoming a speculative bubble with a high rate of private debt that triggered the largest financial crash seen since the Great Depression of 1929.

From this event, the crisis intensifies, causing severe state budget cuts, high unemployment and loss of economic stability. Also, clashes of the most affected social classes occurred as they saw a reduction of the benefits their governments gave them. All these features greatly impacted Spain, particularly in social investment developed in the country since the return to democracy, something that would generate a special distinction within a framework in a state with great benefits for society.

Therefore, in the second chapter I will focus on highlights of the most relevant points of the welfare state in Spain, highlighting how it has achieved this categorization, the strengths, weaknesses and social consequences generated as a result of its construction, in order to have a clear picture of their development and to know how the recession affected its consolidation.

Evidently, the crisis had an unprecedented impact: people were left without their homes, being repossessed by banks because they could not pay the exorbitant interest rates, students were left without access to education because they could not pay school fees, people with college studies and even masters degrees seeking jobs that did not correspond to their field of study, lack of opportunities for most of the

population, and alarming rates of unemployment. All this affected the search for new life opportunities in Spanish society. Due to the large gaps and difficulties encountered by the government at this time, protest groups emerged, intensifying social protest as the crisis unfolded.

That is why, in the third chapter, I will focus on a deeper analysis of the global context of the crisis, its global impact and why it affected Spain, a country that, since its inception, struggled to achieve democratic stability for its people in different situations such as in domestic policies and the difficulties of the crisis which stagnated thereby to keep them from achieving their goals. I will also focus on the role of the European Union in this phenomenon because this organization implemented several alternatives to give relief to the hard events experienced by this society. In addition, I will discuss the policies pursued by the governments of José Luis Rodríguez Zapatero and Mariano Rajoy and I will show how these helped or worsened the situation in the country.

Finally, in the fourth chapter I will conclude the study by collecting characteristics of the government and its proposals to combat the crisis with a final analysis of the social consequences that affected the population and essentially, investigating whether, after all the events that Spain has gone through, it has lost the characteristics that gave the country the categorization of a welfare state and what impact this would have later. With all these elements I will explain the response of the people, social protest at its finest and how the most important groups of protesters arose against the decisions of the regime and, most of all, against the hopeless situation that ailed them.

CHAPTER 1: THE SPANISH POLITICAL SYSTEM

In the first chapter of this research it is necessary to address the characteristics presented by the Spanish political system during its inception, especially focusing on the aftermath of the proclamation of the new constitution during 1978. It will also be essential to consider the features that spawned the two most significant parties in the country, the Spanish Socialist Workers' Party and the People's Party, which, being at the mercy of their strategies to govern the country, have changed their political, economic and social environment, establishing important guidelines for understanding how its direction has affected the current situation under the shadow of a global economic crisis that particularly afflicts this nation.

Later in this segment, I will try to fit the relevant ideas of the popular and socialist governments and how their influence on power relations has generated large and important changes in the country's policy. These features will help to clarify the main issues that, later in the course of the investigation, I will delve into in more detail to determine the main consequences of the global economic crisis on the social scenario.

1.1. General Characteristics.

In this section, I will refer to important features of the Spanish political system especially when it established itself as a constitutional monarchy. Furthermore, I will summarize the influence of the democratic transition in the consolidation of a different political system for the society. With this background we can understand the various attempts that the kingdom has made since its democratic inception in order to consolidate a solid welfare state that allows its citizens to have the resources necessary for a full life, but which, with the rapid expansion of the crisis, has questioned its effectiveness to maintain it at present.

1.1.1. Background: Brief review of Spain in the nineteenth and twentieth centuries.1.1.1.

Throughout history, Spain has undergone several transformations that have defined the course of the formation of the current political system. Since the nineteenth and twentieth centuries, the country lived a changing time with authoritarian regimes and democracies, the formation of a first republic in 1873, a monarchy between 1890 and 1923 and 5 years more of republic between 1931 and 1936. The stage after this period was ruled by military dictatorships from 1923 to 1929 with the General Primo de Rivera and from 1939 to 1975 with General Francisco Franco (Colomer 1995, 200). This supposed political instability which, with the presence of external factors such as economic crisis and world wars, generated what would later become the Spanish political system, a system which remains today.

Going back to the historical context of the nineteenth century, the absolute monarchy of the previous period in which citizens' rights were established ended. This evoked an air of liberalism with a new political order that, nevertheless, would not be ratified by the king thereby losing the possibility to establish a renewed system which was badly needed for Spain at that moment (Ramirez 2010, 25).

It would be decades of a monarchy that had returned after a brief democratic period and which would remain in power for considerable time. However, because of widespread corruption, the Glorious Revolution of 1868 occurred which expelled those from the throne of Elizabeth II and established a constitution with a broad evocation of rights (Ramírez 2010, 26). Although the omens seemed positive, the constitutional requirements were not met and so began, in 1873, the first federal Republic that, according to Manuel Ramirez (2010) is a confusing period of history because rebellions occurred that stalled the country when it proclaimed Alfonso XII as king of Spain (28).

After this time, the country was going through a period of dictatorships such as those of Primo de Rivera which, after a coup, lasted until April 1931. Then, after extensive objections, the Second Republic was established, which sought to rebuild the country with the intellectuals, formed by socialists and the bourgeoisie (Ramirez 2010, 29).

However, the new winds of change did not last long and in 1936 a major uprising sentenced the end of the Republic to major clashes between different groups of power.

Manuel Ramirez (2010) explains that there are several causes that led to the dissolution of this new republic: the mistake of resorting to confrontation with the church, the fact that its protagonists had bourgeois traits, the rise of the communists and radicalization of their proposals and the lack of support of democracies on the continent (23). These elements were part of a defining moment in Spanish history that ended a period of dictatorship that lasted almost forty years.

Francisco Franco, who established this new regime, strongly criticized by most of the people throughout his term, in which the principle of unity of power represented the central axis, and a system in which there was no opportunity for the formation of political parties that represented the ideas and aspirations of different sectors of society (Ramirez 2010, 33).

1.1.1.1. Transition to democracy.

From the time of transition, in which innumerable phenomena were raised, those which, over thirty years ago opened a new way for the consolidation of a defined axis with a renovated political system badly needed for the most of Spanish citizens, gave way to new horizons towards the establishment of a new way of governing the country and after a long time of great struggles the Spanish territory reached the long awaited democracy.

This period should be understood as a crucial, historical moment to address Spanish society from that point to what has been developed in the currently through the ideals of their political parties. Also, this moment not only allowed to make way for a new phase with changes of all kinds, it was also a breakdown from the historical determinism that prevailed in the preceding period, because during a long period of time, the ideology of the society stated that the story was already predetermined by a

number of objective reasons, which obviously did not fit with the events of the fall of the regime and the breakdown of its dictatorship (Zambrana 2005, 24).

After intense fighting against the regime and the decline of Spanish society, the death of Franco came in 1975, the crown then was given to King Juan Carlos 1 who, a year later opened the way for the transition by appointing Adolfo Suárez as president (Zambrana 2005, 26). The country had changed and there emerged a strong middle class, and the citizens glimpsed a change toward a political model with the participation of all stakeholders and without splintering the instituted structure too much, it helped to shape the future of the new Spain (Ramírez 2010, 37).

While the country moved toward democracy, major organs were formed--the Congress and the Senate. As a result, the inviolability of fundamental rights was declared giving way to the new constitution, but the monarchy was kept for the present (Ramírez 2010, 38). In addition to the new text of 1978, a year earlier a conciliatory aspect had occurred: the Moncloa Pacts; as Méndez Lago (2000) mentions, this was a political party convention, in which reforms to the political institutions of the system were brought from the old regime and the implementation of an austerity plan to face the economic crisis that people were living was promoted (63).

After these events, there was a major contribution in the search for a new order in the country and which was reflected further in 1977 when the first general elections were held. At that stage, many political parties had appeared such as the Communist Party, the Spanish Socialist Workers Party (PSOE) and other nationalist parties which pointed toward a new direction for Spain, during which time the Democratic Centre Union and the constitution was adopted, establishing the country as a Parliamentary Monarchy (Ramirez 2010, 38).

This period suggested a structural change, in order to not return to a difficult time in history, however talking about democracy does not necessarily mean development for a country. There are elements such as economic instability that arose from this change, adjustments because of the underconsumption crisis, inflation and the fall in

profits that was maintained throughout the transition period and which had a direct impact on much of the population (Zambrana 2005, 28).

Simultaneously with this process a political pluralism emerged in order to maintain a democratic balance, because the preceding events served as an engine of progress and improvement that would not be repeated. Spain followed in the footsteps of its neighbors with a modernizing society willing to join the European Economic Community, later European Union and the North Atlantic Treaty Organization (NATO), paradigms that would chart much its economic policy (Juaneda 2013, 25).

By repeating history, governments with renewed proposals emerged; a total of five presidents preceded the current chief executive. Spain had a Socialist government from 1982 to 1996 and with alternation of political power (especially with the two most influential parties in the post-Franco Spain), the PSOE which has governed for the last decade and currently is represented by one of the leaders of the popular Party, Mariano Rajoy, its president (La Moncloa 2012).

1.1.2. Current Political System.

Nowadays, the Spanish political system has established as a form of government a Parliamentary Monarchy ruled by King, head of state that has a president who represents the executive power and acts as head of government (Política en el mundo 2011). The legislature is composed of the Senate, which as the Congress performs a fundamental role fulfilling functions of territorial and political integration, also develops and approves laws (Política en el mundo 2011). The judiciary in turn consists of judges and courts which judge and ensure the implementation of laws in the country (Seguridad Pública 2008).

The Spanish Constitution of 1978 defines the structure of the state and its territorial organization allowing the country to be seen as a social and democratic state which guarantees basic rights and freedoms of the individual, which is a legal equality to which citizens and public authorities are bound, and thus also to other legislation (Régimen Político 2013).

It is important to have comprehensive knowledge about the most important organs of the Spanish kingdom, because, in this way, you can understand some of the decisions made by the rulers before entering the crisis. It is also necessary to have a general overview of the current Spanish political system and its evolution since the 1978 constitution. In this way we will better understand how the most important organs of the government have tried to give solutions to this and, in particular, if they have been effective.

On the other hand, it is important within this context to emphasize the analysis of political parties as these greatly influence the environment in which society develops. There are economic considerations and situations such as the impact of the international environment, but it is certainly the establishment of specific policies of these actors which has promoted the establishment of guidelines and key objectives for progress or stagnation of society.

Among the most characteristic political parties we can find the Spanish Socialist Workers' Party, People's Party (PP) and the Coalition of United Left (IU). In the next section I will focus on the first two because they are important for understanding the causes of the crisis and the development of the social consequences in the population because the validity of the new Spanish Constitution has been on the scene of events, significantly influencing such with its fundamental precepts in all matters relating to the country's policy.

1.2. The Spanish Socialist Workers Party.

The following section is intended to detail the origin, evolution and historical legacy of one of the most representative and important political parties of Spain during the twentieth century and in the last years of the new century namely, the Spanish Socialist Workers Party. It will also focus on explaining the organizational strategy, its institutional environment and other features that allow us to have a clear view of their operation and their presence in government in different areas by the Spanish policy which has occurred at various times in history.

1.2.1. Historical legacy of the PSOE.

It was founded in Madrid on May 2 of 1879 in the midst of intellectuals including Pablo Iglesias, who spearheaded the idea of forming a body with principles for the liberation of the proletariat and the abolition of the class struggle, the establishment of public freedoms, the reduction of work hours, (excluding minor work) and laws guaranteeing the life and health of people--ideas based on the tenets of industrial revolution that took hold throughout Europe and especially in Spain (Méndez Lago 2000, 46).

From the beginning, its socialist doctrine was established and it created the General Workers Union which was an ally to the party organization to promote the rights of union workers (Méndez Lago 2000, 46-47). However, from the moment of its creation there were conflicting views as to whether the party should join with Republicans to avoid political isolation or act separately. Finally they joined forces, allowing Pablo Iglesias in 1910 to achieve a first seat as deputy (Linz 1979, cited in Méndez Lago 2000, 48).

Because of events like World War I in 1914, the working class endured the high prices which was inconsistent with the lost wages and only benefited the bourgeoisie. Meanwhile in 1917, the PSOE and UGT led social mobilization protests demanding political transformation (Partido Socialista Obrero Español 2013). The events of the Russian Revolution in 1917 and the founding of the Third International caused the PSOE to separate from the Republicans and radicals; the movement was split with some defecting to found the Spanish Communist Party (Méndez Lago 2000, 48).

Later, in 1923 when the dictatorship of Primo de Rivera started, the PSOE, as Monica Mendez Lago (2000) says, was shown imprecise because, on the one hand he officially rejected the scheme but on the other he had no active participation to counter it. His posture stated that both the dictatorship and the restoration of the monarchy could represent the interests of workers and reach the goal of socialism because both constituted undemocratic bourgeois regimes (48).

Towards the end of the dictatorship and when this could not be maintained, the PSOE cooperated for the establishment of a republican regime which won elections in 1931 forming the Second Republic with a reformist policy. In this period, the number of members increased, but internal divisions generated by the supporters of the Republican government, Indalecio Prieto, and non Largo Caballero radicalized the political party, which, in 1936 became part of the Popular Front, a powerful political bloc that won elections that year (Méndez Lago 2000, 49-50). In spite of the well structured political party, the desire for continuity overshadowed by the military coup of the right, caused a civil war that lasted until 1939 thus ending the Republican government (Partido Socialista Obrero Español 2013).

After the war, the political parties and trade unions were illegalized and due to internal fragmentation the PSOE weakened which prevented an adequate reorganization to cope with the situation. Thus, for two decades they practically disappeared, although from the underground its precepts still remained. Its leaders and more than 1,200 Socialists were arrested and despite the severe repression under Franco, from their prisons kept the opposition (Méndez Lago 2000, 51).

Despite the situation, in the mid-sixties the PSOE was coming alive again and due to the economic growth of the country, especially as it industrialized, many changes have occurred which resulted in the formation of new lines of opposition (Méndez Lago 2000, 52). However, an internal conflict arose because the leaders who remained in Spain failed to articulate the ideals of those in exile, creating discrepancies and generating divisions between the historical PSOE and those renewed what finally made the last one was proclaimed as legitimate in 1974 with Felipe Gonzales as leader (Méndez Lago 2000, 53-54).

At this time a new life stage for the country began. Transformations that marked a new era, brought freedom struggles, witness to the need of a different kind for society, a situation that would allow them to express their thoughts and consolidate them to have better days, detached from a policy that left them strongly raging for nearly half a century. The Spain of that time had little use for seeking of the welfare

state when the rest of Europe was already consolidating and it was very necessary to have an urgent change of guidelines.

While in Spain, the democratic transition began. The rest of Europe enjoyed government stability that would remain 15 years after the fall of Franco as the continent took off strongly after the Second World War and made its way to the fundamental freedoms and could balance monarchy with the foundation of the ideology of the dictatorship and be compatible with democracy, whenever that a parliamentary system was set up (Colomer 1995, 199).

At this point two periods were identified. The first one, at the end of sixties with many protests aggravated with Franco's death. Although most of the population wanted a peaceful transition, opposition leftist forces demanded a rupture. Meanwhile the decisions of the king caused labor mobilizations to note that they had the same ideas than the previous regime (Méndez Lago 2000, 56-57). Nevertheless, he abdicated until Adolfo Suarez became president, looking for a change on the basis of the previous regime but without the establishment a total rupture. This was in spite of the fact that leftist groups did not agree. They shared its main idea and meanwhile the political party was strengthened (Méndez Lago 2000, 58).

In the second period it sought to build a new democratic system. While it was effective aggravating the situation of the regime, since the beginning of the decade it had become a threat for having links with major democratic forces in Europe. In 1977 the party was legalized leading to a permissive link to demand political reforms which resulted in democratic elections in which the Union of the Democratic Centre (UCD) prevailed, leaving the PSOE as the first opposition party (Partido Socialista Obrero Español 2013).

1.2.1.1. An alternative of power.

The PSOE tried to look for a greater electoral support which strengthened until it became an alternative to the government of the UCD. However, in 1979 the results were disastrous and did not function to establish itself as a strong political force, this in spite of reaching an advantage and winning the municipal elections in most of the

country (Méndez Lago 2000, 65). Despite the positive outlook the PSOE had a lack of support and, because of this, a commission was constructed to direct it in which the democratic and open nature of the contributions of socialism was pronounced. After a crisis of the UCD and a failed coup the first socialist government was consolidated when it won the general elections of 1982 (Partido Socialista Obrero Español 2013).

The PSOE was shown to be reformist, to renew the educational and judicial system and faced the various crises that the country suffered as a result of the economic and political sway during the post-transition period. This had an impact on the instability of those years; however the government executed a restructuring, economic adjustment (Méndez Lago 2000, 74-75). The party, with its welfare and public order policies was focused on the country's growth, provided reliability to the citizens and kept the power for their proposals towards the improvement of public issues that had had an inefficient management in the period preceding its mandate (Colomer 1995, 214).

With all these changes, Spain entered into a period in which it became a major country. It was left to be isolated from the rest of western community, and after joining the European Community in 1986, it knew how to consolidate and increase formidably the foreign investment in the country thus fortifying democracy as a fundamental principle (Partido Socialista Obrero Español 2013).

The immediate impact was economic modernization. The sum of exports and imports changed in 15 years from 36% to 62 % of Gross Domestic Product, and generated an openness of the economy while foreign investment increased to 5% of GDP in this time. Meanwhile, the direct investments of Spain towards the rest of the world increased by almost 10 points which was essential for the development of the economies in the current international context and useful to generate efficiency and dynamism (Malo de Molina 2001, 2).

Some of the characteristics already mentioned are important to highlight, because it is necessary to know how the admission to the European Union impacted the country and what the direct consequences in economic terms were. Besides, we need to know

the role that this organization had played since the beginning of the crisis and what actions have been taken to resolve this event which unfortunately started to take part of citizens' lives with vast a scope in the society. Thus, all these aspects will be further expounded upon in the third chapter.

On the other hand, but not leaving aside the economic issue, in the following years the second legislature occurred in the period between 1986 and 1989, which assumed the continuity of the objectives of the PSOE and pointed to the country's modernization. Nonetheless, demonstrations against the government occurred claiming they were not benefiting from the increase in employment. The party distanced relations with social movements which made them lose seats in Congress (Méndez Lago 2000, 77-78).

Despite the panorama, the PSOE remained for a third term from 1989 to 1993, a period in which it proposed a socio-economic transformation with an increase of social spending and the establishing of pensions for the unemployed at the same time that there was an economic crisis that hit the country (Méndez Lago 2000, 79). However, the deterioration of the image of the party by scandals over illegal financing and corruption made the need to refresh the system evident. But because of this, Felipe González mobilized the electorate with an aggressive party renewal that, although they lost the majority in Congress, remained in power for another period (Méndez Lago 2000, 80-82).

Thus emerged a fourth term, which would be an improvement of the political party. However, the cases of corruption continued and the internal struggles worsened until, in a Congress of 1994, the lack of cohesion of the party was exposed. This significantly weakened the government lines and allowed, for the first time the European Parliament to succeed in municipal elections and general elections of the People's Party in the year 1996 (Méndez Lago 2000, 84-85).

During the subsequent period, the party led the opposition and remained solid to achieve power again. However, in March 2000 it remained as a second group in Parliament which would cause the resignation of the Secretary General (Partido Socialista Obrero Español 2013). In July of this year, the new secretary José Luis

Rodríguez Zapatero was named, a leader who could show hope in a renovated stage that not only excited its affiliates but also allowed him to spread to many citizens his ideals in which he sought for a vote of confidence and credibility (Partido Socialista Obrero Español 2013).

Later in 2001 winds of change for the PSOE were seen, which was adapting to the new realities of the XXI century based on precepts of liberty, equality and solidarity. An impulse was seeking to achieve democracy by restoring the values of the politics. Furthermore, it saw the need to regulate the state in operations, providing resources for the development of citizens, ensuring their needs, and ensuring their welfare and progress (Partido Socialista Obrero Español 2013).

An interesting dynamic stood out in the results of May 2003 when, for the first time in ten years, the PSOE became the most supported party. Without meeting all internal expectations they had been much more optimistic but a year later they would reach another victory. The political party implemented some policies such as: the withdrawal of troops from Iraq and the sending of troops to Afghanistan. It also encouraged peaceful negotiations with ETA and established a reform of statutes of the Autonomous Communities (Partido Socialista Obrero Español 2013).

These actions, along with the economic progress that Spain enjoyed between 2004 and 2007, reached a cumulative growth of 9.4 per cent of the GDP, which was the longest period of economic expansion. Furthermore, there was a 3% growth in employment according to the Bank of Spain that helped Zapatero win his second term in 2008 and continued in 2008 (Bustamante and Corredor 2012, 298). However, that year there was a severe economic crisis evident in many countries such as Spain, but which Spain apparently had sufficient capacity to cope with. There was a lot of difficulty generated in this period, and it would not go as planned.

With these events, the government took measures and supported investment with public sector resources, but the decline in economic growth to 1.1% this year indicated that things were not going so well. One of the factors that influenced this was the pressure from the European Union. As a consequence of this the president slashed social spending, established limits for retirement, froze wages and reduced

salaries of public officials. All of this happened amid the bursting of the housing bubble which was aggravated in 2009 by applying a deep Austerity Plan that contradicted the promises that the PSOE had offered in campaign (Bustamante and Corredor 2012, 298-299).

Thus in the next three years, the political environment in Spain began to wear out, the legal framework of industrial relations degraded and there was a continued reduction in social spending, health and education. The government aimed to reduce the public deficit and significantly decreased the budget for activities in the cultural field. Additionally, the dissolution of parliament occurred, and an early call for elections for November of the next year came (Bustamante and Corredor 2012, 299). As a result of the wastage and the terrible situation in which Spanish society was, the electorate sought a way to choose Mariano Rajoy, leader of the People's Party as an alternative of solution to the crisis that was evolved relentlessly in the country.

1.2.2. Domestic Institutional Environment: Organizational Strategy

Being an externally created party, the PSOE took time to consolidate itself as a strong parliamentary representative but later managed to remain and develop in all areas of Spanish institutional life. As a result of this, it maintained a structure that allowed it to generate interesting aspects in the politics of the country and even now managed to become directly involved in the handling of the financial crisis. This and some other characteristics will be analyzed further in the third chapter.

Three elements were part of their organizational strategy: the ability of its leaders to attract members, the relationship with the unions and the development of the organization which managed to have an appropriate method of communication with the electorate (Méndez Lago 2000, 20). On the other hand, during the Franco dictatorship, the PSOE retained its secrecy because its bases disappeared. But when the transition occurred, its structure returned, although it had to be rebuilt from the ground up, promoting the development of provincial organizations in favor of maintaining the political party's presence (Méndez and Orte 2008, 73).

In those years, a debate was generated among those who defined the PSOE as a federation of parties and the majority which insisted that it was a federal party. Furthermore, its leaders did not want its fragmentation as had happened with other opposing groups and they sought to be capable of ruling the country (Méndez and Orte 2008, 73). The process was overseen by the central party structures, while the provincial federations resulted from a combination of what was left of the PSOE and the inclusion of new members and other socialist groups which were consolidated in the eighties, especially with the transfer of powers to the Autonomous Communities. This resulted in an increased in its internal power (Méndez and Orte, 2008, 74).

Between the period of 1990 to 1994, Alfonso Guerra who was Secretary General maintained his influence in the party leadership. However, Felipe González reached this position, supported by regional secretaries who had gained prominence in the preceding decade. With this he went from having a strong central leadership to form a more decentralized party (Méndez and Orte 2008, 74).

With these aspects we note that the PSOE has had from the beginning a well defined organizational structure, especially in the years of the Second Republic. However, because political parties are a key factor in the transition processes, in the period Franco ruled its basis disappeared, reappearing in the eighties. During the transition to democracy its structure was built, reaffirming its organization which then would be reflected in the general election defeat. This allowed for continuity in achieving their goals. Nevertheless, it has failed to maintain power at the time mainly because they had a highly criticized management of the overwhelming global economic crisis of 2008.

1.3. The People's Party.

The People's Party is one of the most influential Spanish political parties. It has been in the halls of power for many years and leads the policy of the kingdom today. In this section, I will discuss its basic characteristics and strategies to consolidate power. Also, I will discuss its management policy and will describe its origins to collect relevant aspects of their period in government and opposition. With this we can better understand the decisions that have lead Rajoy' government to initiate

measures to defuse the crisis and the effect of the mechanisms their government established and if these were applied in a timely manner.

To give an idea of its background, its creation dates from the seventies when a merger of several groups sought political significance at the time the Franco regime began. There developed a power struggle as they tried to defend unity, public order, education and free enterprise (Moreno 2010, 10). Thus, after several meetings whose goals were to merge ideas and expand, three groups of power remained which were the most cogent at the time, which allowed the laying of a foundation for a great strengthening in Spanish politics (Rubio 2010, 11).

Later, when Franco was at the end of his government and there was a need of change, several political currents emerged. While the right and left were broken and there was a lack of democratic practices, communist and socialist groups were formed. At the same time, the elite of the Francoist right was divided into conservatives and reformists which fragmented into the followers of Adolfo Suárez, leader of the Union of the Democratic Centre with a central ideology and those of Manuel Fraga, leader of a right-wing party, the Popular Alliance, which would later become the People's Party (Penella 2005, cited in Rubio 2010, 12).

In mid-1973, a cabinet for companies and political parties with a view to establishing a definitive democracy was created. This looked for the incorporation of Spain to NATO and to a mixed economy (Palomo 2006, cited in Rubio 2010, 13). Furthermore, it promoted a tax reform in which the State would have the necessary resources for the equitable redistribution of wealth thereby ensuring social stability and equality among citizens.

Meanwhile, King Juan Carlos named Adolfo Suárez as president and Fraga chose to align himself with the Spanish right in order to give another boost to its policy. Party members took to this trend even though the founders had, since its beginning, precepts which were totally opposite. From this renovation, in 1976 the Popular Alliance was born as an association of small conservative parties, some of them led by former leaders of the Franco dictatorship (Penella 2005, cited in Rubio 2010, 12).

A year later the first National Congress of the alliance was formed which began to be structured as an ambitious party, but reached very few votes in the general elections. Because of this and with the participation of some other parties, a new alternative was configured that would enter into the political arena of the country, which, at that time, was quite fractional. Thus began the Democratic Coalition in 1979, although the Popular Alliance would remain in politics despite the fact that more conservative leaders had abandoned their ranks (Rubio 2010, 13). Later, Adolfo Suárez called for general elections after the referendum approved the new Spanish Constitution.

With this new configuration, Fraga sought the presidency of the kingdom, but in the 1979 election won less votes even than his predecessor in the Popular Alliance (Rubio 2010, 14). The candidate resigned as president of the Democratic Coalition and in a third congress with Fraga as president of (PA), it defined another presidential structure at the same time it sought to bring a more cautious liberalism economically speaking. They also began integrating new people in an organization attentive to their needs and ready to connect with the population (Penella 2005, 519 cited in Rubio 2010, 14).

In later years, as he was seeking the presidency, more meetings were arranged to decide the future of these organizations until, in 1982, the Popular Alliance formed the Popular Coalition to the newly founded Popular Democratic Party. This became the main opposition party when, in the same year, the PSOE won the elections with a broad electoral support (Rubio 2010, 14). However, the Coalition reached over a hundred deputies in Congress, which for the first time represented a major breakthrough in its quest to hold and reach the highest seats of power in the country.

With this precedent, the Popular Alliance proposed the creation of a new party, which would form part of this coalition. However, problems with old and new members of this arose, because of conflicting ideologies some conservative and others more moderate (Graciano 2006, cited in Rubio 2010, 14). Meanwhile, Fraga asked José María Aznar, a young politician who was beginning to interfere in these matters, to lead the autonomous communities of Castile and Leon in an attempt to calm things down as it was the region where he had a chance to win the PSOE in elections (Graciano 2006, cited in Rubio 2010, 14).

Aznar, who was interested in neoliberal tendencies and who could well take on this challenge took over in this decision. But after the PSOE won the elections again in 1986, the Coalition plunged into a serious internal crisis which caused the replacement of some of its members and Fraga resigned as PA chairman (Rubio 2010, 14). Nevertheless, Aznar won the elections in Castile and León and started to cut the budget to invest in job creation, actions that he wanted to demonstrate as measures against the government.

It was the year 1987. Antonio Hernández, another political figure, became president of the Popular Alliance, but almost immediately Fraga was again given power and it was re-founded as a single party and renamed the People's Party (Rubio 2010, 15). This reformist political party was mainly founded in democracy, pursued the precepts of individual freedom and promoted tolerance, respect for life and environmental protection (Rubio 2010, 12).

At the end of that year, José María Aznar, the candidate for the primaries, became the president of the party. Meanwhile, Fraga became Founding President and in the elections of 1989, the People's Party won almost 30% of votes (Graciano 2006, cited in Rubio 2010, 15). These results affirmed that the People's Party was on a good track and although Felipe González, PSOE leader, won the elections of the kingdom as it would again in 1993, the PP was advancing in firm steps, something later evidenced conclusively.

While the PSOE led the government at the time, they began to make public several corruption cases executed by the officers of the socialist government. Aznar realized that the only way to win elections and defeat González was by promoting a strategy to discredit this figure, with the only purpose of expelling González from power (Palomo 2006 cited in Rubio 2010, 15).

All these events, in addition to Aznar's strategy, widely weakened the government of Gonzalez. This meant that in 1996 the People's Party finally won the general election, inheriting Spain with its numerous commitments to the European Union. Those were the early years of new management for the country and the fruits were harvested for long time. Furthermore, in this new period the GDP increased by more

than 1% above the average of the countries in the region, characterizing Aznar's government with a rapid growth of economy and the evident improvement of the standard of living in citizens¹.

Once the PP began to steer policy, the covenant that had been filed before the United Left was dissolved, and at the same time, Aznar realized the need to make other parties withdraw support from Felipe González. Thus, he encouraged Jordi Pujol, leader of the Democratic Convergence of Autonomous Community of Catalonia, to withdraw parliamentary support which, until then, he had provided for González (Palomo 2006 cited in Rubio 2010, 15).

On the other hand, at this time, there were several changes that benefited many in the country as it greatly reduced unemployment and corporate profits and wages were increased by 30%. Furthermore, Spain joined NATO, an objective that was pursued a long time ago. In 1998, the government initiated the first conversations with the Basque group ETA, an armed nationalist organization considered by the party and by many other groups as terrorist which had been founded during the dictatorship. However, this meeting did not yield the positive results expected².

After this renovation of the country, four years later the People's Party's newly achieved presidency also obtained an absolute majority in parliament. Aznar thus fulfilled the ideals of his party, these being the economy, international relations and public security, the key themes of his second period. A decision that undoubtedly weakened the government was the approval of sending a contingent to support the invasion of Afghanistan in 2001, an event which occurred after the 9/11 attacks of the terrorist group Al Qaeda on the United States. These elements, besides the invasion of Iraq for alleged possession of weapons of mass destruction were widely criticized by the population³.

¹EcuRed. "José María Aznar". EcuRed Ínice. Accessed: 15-07-2013.
http://www.ecured.cu/index.php/Jos%C3%A9_Mar%C3%ADA_Aznar

²EcuRed. "José María Aznar". EcuRed Ínice. Accessed: 23-07-2013.
http://www.ecured.cu/index.php/Jos%C3%A9_Mar%C3%ADA_Aznar

³EcuRed. "Primera Victoria Electoral". EcuRed Partido Popular PP. Accessed: 03-08-2013.
http://www.ecured.cu/index.php/Partido_Popular#Primera_victoria_electoral_1996

Meanwhile, in other matters, Aznar proposed that Mariano Rajoy address the party, a decision that would be approved later. Nevertheless, a few days before the general elections of 2004, the incidence of the brutal terrorist attacks increased though it was uncertain whether they were favored by ETA or by radical Islamist groups, or from government support for external affairs of USA but this drastically reduced the amount of popular support. This provoked a different voting behavior and caused some to look at other electoral options that would have allowed for a change in the dynamic that citizens wanted to avoid (Michavila 2005).

There were several reasons why the PSOE in this period would take control of government again with José Luis Rodríguez Zapatero as president, but according some analysts, the invasion would be one of the prevailing reasons for these results. Issues such as the position of this political party against the ETA group evidenced its rejection towards the practices of this organization. Besides, it was the strongest opposition political party consolidated at that time, which greatly guaranteed acceptance at the polls in the next elections and took advantage of the weakness of the PP government to get it.

In general terms, in the first mandate of the PP there was a balanced growth of the economy. Besides this the state was reformed, an aspect which provided macroeconomic stability and generated almost 5 million jobs, reducing unemployment from 23% in 1995 to 11% in 2003 (Palomo 2006 cited in Rubio 2010, 16). However, the price of housing increased by 400% and the privatization of several public enterprises provoked some protests by the workers concerned⁴.

1.3.1. A change of direction.

While the socialist government ran the country, Rajoy, from the opposition, sought consensus on issues concerning the fight against terrorism, education and economy, although without reaching important agreements. In spite of the efforts of the opposition party, in the elections of 2008, Rodríguez Zapatero won again, causing an

⁴EcuRed. "Primera Victoria Electoral". EcuRed Partido Popular PP. Accessed: 03-08-2013.
http://www.ecured.cu/index.php/Partido_Popular#Primera_victoria_electoral_1996

internal crisis for the People's Party. This also led to the resignation of some of its leading representatives. However, Mariano Rajoy remained firm as party president (Rubio 2010, 16).

During the second period of Rodríguez Zapatero, many of the plans that had been offered by his government had to be replaced by opposing measures to quell the effects of the global economic crisis which had worsened since 2009 and began to heavily hit the economy of the country. Meanwhile, the PP from the opposition, was outlined again to be placed in power in the presidential general elections at the end of 2011, gaining almost 38% of votes, beating the socialist PSOE government by 10 percentage points

Upon reaching the presidency, Rajoy took up the challenge of re-building the foundations of Spain affected by the global depression and he knew from that moment he would be responsible for reversing the economic and social consequences that people were traversing. He had to look for effective solutions to the crisis, but he had to do so immediately. That is why he sought the support of the chambers of representatives, asserted in the first instance, to stimulate economic growth of the country, which would ensure the generation of employment, stop unemployment and increase economic activity which in turn would set the parameters to improve education, health finance and expand both material benefits and the human dignity of citizens⁵.

As soon as he assumed the power, the new president blurred his government plan applying tough measures to pull Spain out of recession. He initiated increasing taxes to reduce the deficit and boost the economy. However, the increased hours in the workday, the high unemployment with more than 5 million unemployed people and the increases in special consumption tax showed the confidence that voters had placed in the new government (Del Riego, 2013). This evidenced that the decisions of the government to defuse the crisis focused on tough measures that greatly impacted, at a moment in which people submerged their efforts to bear the

⁵ La Moncloa. "Discurso de Investidura Mariano Rajoy". La Moncloa apartado Presidencial. Fecha de acceso: 13-07-2013. http://www.lamoncloa.gob.es/Presidente/Discursodeinvestidura_new/index.htm

consequences presented to them, but without being able to witness the change for which they were waiting.

In this same year of 2011, large protests against the regime took place as a result of the aggravating situation of the crisis and the fact that rulers were unable to give relief to all that the citizenry was suffering. A year later, the constant job losses had already reached 5 and a half million. This represented almost 25% of the workforce besides the decreasing trend that continued in the country which generated the uprisings among the population. People demonstrated in the streets to demand the elimination of cuts that were causing many problems in the country's situation, even being backed by nationalist and leftist movements that called for the peaceful but powerful protest in this panorama (Tejeda 2012, 19).

In an effort to decrease the large deficit in the kingdom that year they increased the value added tax (VAT) from 18 to 21% and the unemployed received 10% less benefits in order to encourage them to actively seek work. An adjustment was also made with fewer councilors in government and funds to ministries were cut (Garea 2012). As a consequence of these and other applied measures there was a decline in what until then was known as the welfare state in Spain.

In the development of this subtopic some important characteristics about the role of Rajoy in the economic crisis will be explained. However, in the third chapter I will present in detail all the actions and measures that the current government has implemented, since it has been in power with the purpose of combating the serious problem that is affecting the population and has been affecting it disastrously for a long time.

1.3.2. Socialists and Popular governments

During the transition, Spain experienced a political pluralism among several parties that emerged years ago and others that were already present and were strengthened. There was close opposition between right-left with a preponderance of moderate parties; these were the Union of the Democratic Centre on the right and the PSOE on the left (González 2004, 120). In the 1982 elections and for eleven years there

prevailed an hegemonic party system where the PSOE ruled and between 1993 and 2000 a two-party system remained which required nationalist parties to strengthen the socialist government that ruled until 1996. Then, in the next step the PP won the first administration and ruled the country until 2000; this support was no longer required (González 2004, 121).

The evolution of the party system denoted, besides the contrast between left and right, the contrast between national forces and adjacent nationalism which generated stability for thirty years after its configuration (Giner and Moreno 1990, cited in González 2010, 121). This system was the result of policies from the first democratic elections of 1977, making reference to the most outstanding sectors during the Franco era. Some of them had to settle for being relegated to the left position, in the case of communists regarding the PSOE which controlled power and on the other hand in the right the Popular Alliance, regarding the Union of the Democratic Centre (González 2010, 121).

This relative weakness of the Communist Party contrasted with the role of the Union of Workers' Commissions (CCOO) which implemented a strategy breaking blow against Franco, working as a socio-political movement in order to create a powerful communist party. In spite of this, this was not achieved; an important union strength was created when it won the first union elections of 1978 against the PSOE. (González 2010, 121).

In the eighties, the PSOE had some advantages over the limited pluralism, prompting a surge of union forces. The General Union of Workers (UGT), committed to negotiating union-gained power in elections of 1982 (González 2010, 121). From that time forward, the CCOO could not be maintained, leaving the PSOE without opposition, this was reflected in the 1986 elections, in a period where the party had achieved objectives of economic restructuring and democratic consolidation (González 2010, 121). However, these actions would not endure because there was not a good relation between the PSOE and the unions, an issue which weakened their power for the next elections.

In the nineties, the evolution of the party system was characterized by a balanced period between the right and left and this made the nationalist parties mediators in the political situation. By the end of the decade, during their first term, the PP established good negotiations with social partners which generated positive results in economic and political terms, but after the attacks of 2004 they its management ended and adverse outcomes occurred in the polls (González 2010, 122).

1.4.1. Parties and Unions.

During the transition, some expectations were generated by some actors such as the UGT which sought to achieve a position of great representation and whose ability to influence was similar to what had been received from unions in other European countries. This generated a Social Democracy for some time. Nevertheless, when the PSOE aspired to run the country, no stability was maintained and some of its leaders had the idea that the social experience should not be a rule to be followed fully (Maravall 1995, cited in González 2010, 122).

Later in the eighties, this model had troubles and the links between the PSOE and the UGT were deeply weakened. However, later the unions saw fulfilled its objectives of transition. They did not reach agreements with the government, for reasons such as the economic crisis and instability after the country entered a period of complete renovation after Franco (González 2010, 122). In spite of this, it managed to overcome the drawbacks in this period.

In the middle of the decade the middle class removed their support for the PSOE while on the other hand the Popular Party took power in the country's politics. This was a momentous shift that sought support from the middle class who had not previously opted for Fraga (Torcal and Chhibber 1995, in González 2010, 122). For their part, the PSOE and UGT lost their connection and after the general strike to demand reforms on sensitive subjects--the unions got benefits in issues of pensions, health and unemployment protection. All of this was achieved without the need to claim the support that, years before, the society offered towards the ruling party (González 2010, 123).

Later in 1993, a huge crisis occurred which did not help the situation that the government was facing. A new group, “the retired and the housewives” unlike the rest of society broadly supported the PSOE. Without this, the situation and therefore this dynamic of conflict led to the crisis of the model the Socialist Party and the unions had enjoyed (González 2010, 123).

While the middle class, who depended of the private sector, were the most reluctant about these policies, those which were dependent of public sector they favored them in terms of health wellness and education, so its rejection was equated with improvements in their professional field. However, no groups supported the policies of the PSOE. As regards the middle classes, they largely rejected these precepts, as the public sector counterpart considered that these policies had no sustenance to be part of the left (Parkin 1968, cited in González 2010, 123).

For a long time the groups remained outside of the labor market, but events such as the expansion of the education system, increased life expectancy or unemployment increased social involvement of young and elderly sectors which had become independent of their former family dependency (González 2010, 123). In addition, the PSOE placed the party supporters from the productive sphere and the labor market and recipients of welfare policies such as health care and pensions, but wary of the arrival of the new government of neoliberal ideas that the PP had had (González 2010, 123).

This stage generated a socialist decline of the working-class electorate to retirees, because young voters were replaced by older ones wanting to ensure economic growth and focusing on reforms or to pay the social debt. Nevertheless, this provoked a conflict, since workers were more able to defend their interests-- a point that the socialist government did not attempt to reconcile and so focused on the more reticent group, the unions (González 2010, 123). The conflict between government and unions was full of tension. The output of young voters and their role prompted adult workers to worry about the conditions of their labor market exit. The class conflict is then softened after ten years, but the rejection of the PSOE increased but not enough to concentrate support on the PP (González 2010, 123).

1.4.2 The popular stage.

In the year 2000, in the new period of government of the PP, bipartisan and balanced systems of forces had been anchored in the nineties. The party achieved an electoral majority by a combination of economic prosperity and social peace. It was also attributable to the dialogue since 1996 which undertook a situation that was determined to generate a favorable view of government (González 2010, 123). The PP victory in 1996 forced the bringing about of an action not provided and applied measures around their new allies. The nationalists, rectifying part of the election program, especially in relation to the State of Autonomies, maintained a social dialogue as a priority in the learning process of social agents (González 2010, 133).

Aznar, as president of government, pledged to keep the talks, but there were indications that the absolute majority was changing the style of government that had given excellent results in the previous term. This was shown as a dialog option to these groups in 2001 which became a threat to government enforcement in 2002, because at this time they had lost the social dialogue with a part of the electorate (González 2010, 131). Then there was a disagreement of the unions who decided to promote a general strike if the government went to unilateral measures. However, this faced its cost by a background of leadership that Aznar was looking for in the rest of Europe.

Nevertheless, events such as the intervention in Iraq and the 11-M changed the perspective of voters, sanctioning government management. The left, which had been with the PP in 2000 returned to the PSOE and young people, joined the socialists (González 2010, 133). Moreover, the new middle classes, who abstained from supporting the Socialist Party in 1986, were more participatory in benefit of the PSOE in 2004. In contrast, passive classes: retirees and housewives were not enthusiastic about any party in 1986, but they did vote in favor of the PSOE in 1996 and the PP in 2004. In both cases it was in favor of the outgoing government, the youth being a factor of change (González 2010, 134).

With these elements, one can note that the two governments have been largely involved in the actions of Spain throughout its consolidation; they have made several

proposals to placate, to some extent, the effects of the crisis in the country. Furthermore, having knowledge of historical events, structures and decisions at the time of its consolidation, allows us to define and socially analyze the consequences, mentioned earlier, that the country has had to endure. Next, I will focus on the study of the construction of the welfare state for in this and in the following chapters I will explain what were the most effective approaches and how they have allowed the improvement or stagnation of the Spanish system.

CHAPTER 2: THE WELFARE STATE

One of the most pressing problems when we are studying the economic crisis of 2008 is the decline of welfare and access to basic services to which the Spanish society has been accustomed to, especially since its return to democracy. The fact that they lost benefits and became mired in a devastating situation, such as the loss of stability, declining job opportunities and reduction of suitable living condition as a result of the crisis conditions, allows me to analyze the welfare state as a whole and particularly its construction in the Spanish kingdom.

For this reason, in this section I will address the most important features of the welfare state (WS); I will speak of its beginning, concept, models that have marked its appearance, its period of crisis, and definition in society. In addition, I will focus on the study of its construction in Spain and how it has developed this model, facing the period of crisis that has plagued the country for several years. It will be necessary to establish the social consequences which arose from this fact and analyze how their influence and impact has evolved over time

2.1 Definition.

To begin this subject, first we have to be clear about what welfare is. This term represents the actions taken in the society to satisfy the needs of people in terms of clothing, food and housing. In addition, it says that welfare is all that people need to live in dignity, as well as that remuneration⁶ which an individual or a familiar economy gets in order to satisfy the basic needs and to contribute to the generation of material welfare.

⁶ welfare.

(From right and be).

1. m. All the things necessary to live well.

2. m. Comfortable life or supplied of what leads to fun and quietly.

3. m. State in which the person is made sensitive of their proper functioning of their psychic and somatic activity.

According to the dictionary of the Royal Spanish Academy. Access: 11-01-2014.

<http://lema.rae.es/drae/srv/search?key=bienestar>

The welfare state must ensure an optimal level to all citizens in society, especially helping the most vulnerable. In addition, it must tend to provide access to basic services focused on the main axes that are: health, education, labor opportunities, and pensions for retirees, and especially to establish measures in order for these characteristics to be met in the environment in which they develop. Furthermore, as Raya (2006) says, it should take into account important principles such as equal rights, equitable distribution of income, and especially that the social rights are applied to the population so what they have the resources to have a decent life. This with an important intervention in the economy.

In addition, Antón (1997) notes that the particularity of the welfare state (WS) is to harmonize the life cycle of the working class, childhood, old age, sickness and unemployment. This generalizes the security against risk and market stabilization. The economy is responsible for adulthood and politics guarantees childhood, old age and disease, so a WS must always strive to ensure employment generation and be active in the life cycle stages of society.

On the other hand, we can also supplement these concepts, saying that the welfare state “constitutes a number of laws that give citizens the right to receive benefits of compulsory social security and have social services in times of need and contingency” (Digilio 2002, cited in Mingo 2005, 68). This concept greatly expands the extension that integrates the general idea of influence for the benefit of personal needs.

By having a clear idea about its foundations, we can study its origins. It states that it has its beginnings as a precept in Keynesian theory which says that state can stimulate the economy in times of crisis, driving macroeconomic activity and its development to actively participate in its development (Encyclopedia of Economics, 2009). On the other hand, the idea that the welfare of a community will depend on the level of development of a country is also supported, for this the opportunities which allow the access to all basic services to generate this benefit, will influence in this feature (Berzosa, 2003, cited in Castro, 2010).

Here we should note the influence and emergence of the Keynesian welfare state after the Great Depression of 1929, which was based on a political model in response to an attempt to appease social tensions, caused by this event and in order to avoid their most dramatic impact (Castro, 2010). Nonetheless, where it really would have a more marked dominance and relevance would be later in a period of great events that would mark world history.

If true, its foundations were more pronounced during the Second World War, which showed a more solid idea to emphasize its construction. Nor can we fail to mention that Germany was the first European country which started talking about its structure in the late nineteenth century, as conflicts between bourgeoisie and workers because of the large gaps felt at that time, and wanted to promote the defense of labor protection (Mingo 2005, 68). Here was Otto von Bismarck who proposed a structure capable of settling these claims, by way of a model of social protection for workers, having a big influence on what would later be seen regarding social policies of generalized equality (Mingo 2005, 68).

Later, returning to the XX century in 1942, Lord Beveridge also decisively influenced European politics to try to put a system of social and universal protection to reach out to all areas of the human being. Social Democrats, Christian Democrats and Liberals accepted the Keynesian development as they continue to ensure economic growth and free trade in the region (Fernández 2012, 4). Here its foundation is generated. Europe gave a boost to its economic and social model and welfare badly needed after the war which was reflected in the improvement of the living conditions of families, access to full employment, universal public services and trying to prevent citizens passing through precarious situations (Fernández 2012, 4).

The wellness programs that emerged to revive the economy and consumption ended up regulating the market, which would greatly soften the social inequalities that allowed the public to live in optimal conditions. These facilitated citizens to have access to rights that were indispensable for their development and o creating a diversification in mode of living which was very apparent in society (Raya 2006). The welfare state has had considerable success in twenty years in the region. It has

generated unparalleled economic growth, ensuring the standard of living, health, education, decent retirement, encouraging production and causing social stability among the different social forces (Picó 1999, 2).

In addition, it is important to mention that the significant role of the state in the various sectors of social life has brought many changes regarding the relations of civil society. Also, the institutionalization of the labor movement from unions and its corporate political participation has generated a different effect on the state guideline. These changes have influenced not only in the equitable distribution of income and capital accumulation, but also in labor productivity. But what would come later would cause many to rethink this position (Picó 1999, 3).

The state took a leading role causing large interference. Its interventionist side, mediator and conciliator with responses to global interests, sought to safeguard its democratic character in society by regulating consumption and market. Furthermore, it tended to raise an equal distribution caused by the large differences that were collected from the war period, adjudging with all its actions the regulatory state qualifier and significantly increasing government spending for social benefit (Mingo 2005, 69).

So it has spread throughout the history as a consequence of the development of the modernization of society, ensuring a high level of economic activity, social protection, allowing a fair distribution of wealth, and complementing the market economy, transforming the imbalances of the laissez faire and contributing to maintaining social peace (Picó 1999, 5). However, as will be seen later, its expansion in Spain was delayed until the seventies when the state began to cover the expenses that Spanish citizens required as well as providing the necessary goods for their livelihood (Fernández Sánchez 2014).

2.1.1 Crisis of the Welfare State.

While full employment lasted, the successful performance of this model was seen as it was extended to the entire population. However, the economic crisis of the seventies, to which I made reference in the first chapter, largely stagnated this

futuristic projection of benefits that could be developed in society. Irregular income from workers and high unemployment that arose from these conditions, led to a situation of poverty among different social classes (Fernández 2012, 5). With these elements, the boom it had achieved in previous years began to be questioned strongly, especially by neoliberals?

In this period there was a decrease in public spending thereby limiting its expansion. This came together in a wide range of unemployment and breakdown of the social protection system (Raya 2006). There was a rift between the political and economic model of social welfare which largely lost legitimacy and social rights. Moreover, high inflation, loss of productivity and spending should be regulated, but was becoming complicated by tax pressures of capitalists if the State failed to intervene in the economy. To this problem, the oil crisis of the past decade also pressured governments to borrow in order to cover the cost of benefits and pensions, although this left most of the population vulnerable (Mingo 2005, 71).

As a consequence, the crisis raised the tenets of their role, because it has been said that the government intervention, rather than a help to solve the problems, seemed to be a hindrance and stagnation of them. This was because of the lack of trust that has grown around it and criticism from the radical right and the Marxist left (Picó 1999, 3).

These criticisms of its organization were supported by the evidence that the State could not overcome the difficulties generated by this crisis. Nevertheless, it should be considered that in difficult times for society, there are few models that have successfully achieved the goal of solidification again and rebirth to continue to fulfill its purposes without first passing through a drop in stability.

In the eighties there arose a process of social reform after the glory years of WS. The power of labor was devalued, economic and technological globalization took force. The European *welfare states* began to restructure, ideas and options to deliver greater prosperity to citizens were stagnated and its status quo was affected; all this although somehow managed to maintain and expand some social rights (Antón 2009). Nonetheless, its protective scope did not meet expectations and

what was in past years seen as a general feature for the population, became very difficult to maintain.

In this manner the crisis of its structure occurred, in a period in which the basis for an important restructuring of the State emerged. All this, was done in order to give back to society what it lost at that time and what it had cost in hard work when it started in previous decades. The state needed to again provide social stability to governments, which was also fundamental to the development of its citizens.

According to Rodríguez (2011), the factors that influenced the crisis and the subsequent restructuring of WS were mainly the emergence of new forms of production and work which caused the unemployment and the end of full employment. On the other hand, events at the end eighties and beginning of the nineties such as the fall of the Berlin Wall, the democratization of European countries, and the ideological influence of globalization, strengthened the idea that the Keynesian model had to have a change since it was not meeting the expectations with which it had begun (Fernández 2012, 5). Furthermore, a curious term--social exclusion--emerged in this conceptualization that surpassed the concept of poverty, denial of social rights and the lack of exercise of citizenship which was characterized as a big problem (Fernández 2012, 5).

2.1.2 Models of the Welfare State.

There are four essential models in the formation of the welfare state that, one way or another, have influenced the achievement of primary objectives of citizens in the environment in which they are. These models which have affected the development of the social actors and have marked the implementation of different common welfare policies have been immersed in the European states since the period after the Second World War.

In summary, I can mention the Liberal or Anglo-Saxon model, developed in the UK, which assumes structural poverty inherent in the free market system and the intervention of WS to correct its faults. The conservative model or the German Christian Democrat with a conservative and corporatist approach allows the welfare

state to be a corrective agency of social problems and the economic insecurity which generates the development of capitalism, in addition to providing security against sickness, disability or old age (Raya 2006).

As the Social Model of Sweden, the WS is presented as universal; the principle of social equality is assumed and incorporates it into the middle class, gathering social welfare and labor with full employment in order to finance the state itself and to create a cohesive society (Antón 1997). With this it seeks to completely eliminate inequality in all areas and is also based on a minimum income program with full citizenship rights.

The Latino or Mediterranean model is the one that was applied in Spain with an establishment from democratic transitions and a late modernization process. In general terms, its impact in the country started in the seventies, being a historical process with great characteristics from the transition period, having its peak and subsequent consolidation in the eighties, which brought winds of freedom and the possibility of considering its citizens subjects of civil, social and political rights (Fernández 2012, 4).

Having all these characteristics, we can say that, although there are different models of welfare states, all of them have the same precept of generating satisfaction and to cover the priority needs of citizens. Under this concept, the state not only pretends to please few in their basic needs, but also since its inception has sought to regain a sense of citizenship and belonging to society in which people can enjoy freedoms and especially where social rights are guaranteed in full.

2.2 The construction of the welfare state in Spain.

In the previous section, the early origins and main features that are part of the construction of the welfare state in Europe were exposed. To focus particularly on building this model in Spain, we should remember that one of the characteristics of its structure has been to advance social policies in the short term, with interventions not only to the central government, but at the level of the autonomous regions as they positively influence and improve the quality of life of its citizens (Navarro 2004,1).

All this was achieved through measures which boosted the importance of the individual in society, without leaving aside their entire household, to develop in the best way possible.

After the Second World War, while these policies were evident in the daily life of European society, in Spain this lack of freedom, collective welfare and social protection was felt. After the Spanish civil war, its citizens were more relegated and large inequalities were part of everyday life. Poverty was evident, poor health care, poor infrastructure and low quality of education (Fernández 2012, 6). These elements stagnated the Spanish society which was in difficulties at that stage.

In the years of the dictatorship, economic growth in the country was only 1.5%, unemployment increased by 20% and a high inflation was generated. The society was under the regime and few power groups had a chance of surviving, including powerful businessmen and bankers. (Navarro, Torres and Garzón 2011 cited in Fernández 2012, 6).

Under this scenario, the country stagnated in terms of development and did not reach even a minimum of welfare. The discontent generated by this was very clear with so many inequalities and lack of opportunities for the majority of the population. The government of the time plunged the country into a terrible period of inequity, but later after the adoption of the 1978 constitution, would begin to perceive new winds of change that were urgently needed in the Spanish society.

For this reason, the strongest starting point of the welfare state in the kingdom particularly began in the legacy of the Francoist system since that society with the absence of civil and political liberties could not ensure a decent life for its population (Fernández 2012, 6). Neither could it meet the expectations that governments in other European countries met in previous years because the public administration had a weak structure to ensure social welfare.

Later, in the time of the transition, a number of trends that could have been introduced much earlier were given, as it had done in the rest of the region, but because the dictatorial regime could not be implemented. Here, we can highlight

social security services, institutional reorganization, the depoliticization of social protection so that social assistance was given to people, the progress in the politics and social dialogue, autonomic decentralization and coverage of public services (Raya 2006). Furthermore, it was the stage of approval of the new constitution and organization of new skills, which resulted substantially for the beginning of a new structure in the country.

On the other hand, there were several elements that, according to Navarro (2004), represented a fundamental base in the Spanish WS. Thus, public services such as: access to education, health, family support for the elderly, assistance for the disabled, support for working parents with childcare, housing and other social services that have been intended to improve the welfare and quality of life of all its citizens (1).

Furthermore, another essential characteristic of the welfare state in Spain has been the transfer of public funds from one social group to another, as in the case of pensions, widow's pension and disability. The state distributed its public funds as well as those of persons belonging to Social Security: workers and business owners and benefits recipients, who are the most vulnerable groups in society, with effects on Social Security pay outs, one of the most needed tools to combat poverty in the country (Navarro 2004, 1).

In addition, other transfers provided by the state have been unemployment benefits, another important item that has been used to finance over time. Moreover, funding for many of these components has been transferred to the autonomous governments, (Spain has seventeen welfare states and not just one), each one with its own characteristics, although not subject to central government decisions about certain aspects of global interest (Navarro 2004, 2).

Thus, we can distinguish three stages in the construction of the Spanish welfare state. The first encompasses the eighties where public spending grew substantially and services to citizens increased to a great extent, especially in terms of quality. The second stage was given to the late twentieth century as a counterpart greatly limiting spending and reducing services, having to include the private sector to replace it, especially in terms of health and social issues. Finally the third stage, which it used

to benefit society in the provision of services and incorporated some others which have cooperated to have access to more benefits and resembling the social democratic welfare model (Del Pino 2005 cited in García 2010, 23).

2.2.1 Priorities and Parameters of the Spanish Welfare State

There are essential elements to the Spanish welfare state that have allowed citizens to increase their profits at the time of full consolidation. Regarding public health, it can be emphasized that the spending that the state has done to ensure appropriate assistance began with systems like Compulsory Health Insurance, developed in the forties. Although not widespread, later in the eighties with health care of Social Security, it was funded largely with taxes, providing coverage to nearly all Spanish (Freire 1994 cited in Fundación Pablo Iglesias).

Another issue that contributed to the country to balance its policies and improve economic conditions has been the entry into the European Economic Community (later European Union), which increased the incidence of generalized policies that the other countries in the region applied towards the welfare of people. Later, at the beginning of the nineties there was talk of building a stronger draft of WS in Spain, with an expansion of health coverage with laws which have enacted universal attendance in Social Security although this coverage remained linked to the typical patterns of this model something not accessible to the entire population (Freire 1994 cited in Fundación Pablo Iglesias).

Furthermore, it has developed a manifesto with universal rights and services that the state has emphasized, giving high importance in political and social issues since some of its provisions were the bases of major political parties of that time (Fernández 2010, 7). Thus, in 2006, the basis for the law of Promotion, Personal Autonomy and Care for People in Dependent was established which would involve a social cost to the state of 1% of GDP and would generate development for many people. But there were still parts of the population who suffer from social exclusion (Fernández 2010, 7).

Speaking of evolution, we must establish indicators that measure the development of the WS. One of them is the percentage of the adult population which works in health and education. Taking this as a parameter, according to Navarro (2010) the welfare state was very underdeveloped in the country since only 5.9% of the adult population worked in these areas in accordance with 2000 data, which was about the average of the most developed countries of the EU with 11%. In addition, another factor is those of public funds aimed at improving the welfare of the population, their quantity being measured as a percentage of GDP and for this year was 20% when the average for the region was almost 30% (Navarro 2010, 3).

The second characteristic is the health expenditure in relation to the EU average, as Spain has one of the lowest figures. By 2000, it was estimated that 78% of people felt that the primary care time in medical consultation was inadequate, with a low grade of satisfaction of public health institutions for the uncomfortable service offered. This has resulted in the emergence of private health as an alternative to which only the privileged people could have access, because of the high costs that this implies (Navarro 2010, 7-9).

Another key element is education. Access to a comprehensive educational system of quality has been overshadowed by the growth of private schools that provide better service but which have been reserved for favored persons that can pay their high costs. This has been besides the expenditure that the Spanish government has provided since the beginning of the first decade of the new century that although it has not been lower compared to the region, has presented some differences (Navarro 2010, 12).

One important thing to mention is that, although these figures undermine the way to see Spain, in general terms the average of the country has been increasing more strongly compared to the average for the region. This is stated to note that one of the biggest problems of the welfare state in Spain is that many people have not understood its evolution which implies the existence of an excessive demand of requirements that often the State has failed to fulfill because they are not its sole responsibility; besides the Spanish system is still very young (García 2010, 24).

That is why challenges to the welfare state are promulgated since, apparently, the population requires more coverage services for vulnerable groups. Regarding social costs and improvements in quality of life of its citizens, it is not comparable with the rest of Europe. Nevertheless, we have to recognize the efforts that the state has made in recent years because referring only to the late seventies, spending represented 11% and in 20 years this figure rose to 24% of GDP, clearly improving the functioning of the aid system and creation of wealth in society (Fernández 2010, 7).

Some people, such as social scientist Alvaro Espina, criticize the structural basis of the construction of the WS in Spain and emphasize the invalidity of this model as compared to the rest of Europe. It has not reached the level of support services that these countries have achieved. This relationship is somewhat ambiguous because although, the same measures were applied to provide equity and comprehensive protection, we must take into account that the introduction of this model occurred in Spain thirty years after it started to spread. This obviously indicates that the same level achieved by other countries will not be replicated identically in the kingdom. Their bases have taken a little more time to have a firmer structure.

Despite the different scope that the WS in Spain has had, especially for the delay in its implementation, this does render them immune to the unbalanced situation created after the 2008 financial crisis. This has become quite complex, seeing decreasing benefits to the population, especially in public services; reduced spending; beginning cuts and extending its financing problems to the most vulnerable sector of society.

2.3 Social Consequences.

With the emergence of new social needs such as unemployment protection, access to housing, immigrant integration and social inclusion, the WS has established spreading various social policies in developed countries. As for Spain, interventions that the government has handled in various fields have been vital to ensure a high level of employment, the provision of universal services in a society increasingly demanding and maintaining a minimum standard of living, assuming responsibility to the community and trying to eliminate poverty and marginalization (Mishra 1989 cited in Castro 2010).

In addition, it is important to mention that an efficient allocation of resources improves their distribution according to the needs of population with an economic policy that ensures the equitable division of the sources of income of the welfare state. For instance, regarding education, it is an area that addresses poverty reduction such as when a person receives educational instruction and has a wide variety of opportunities for receiving higher incomes when seeking employment. Unlike those who have not had the opportunity to access this, this causes the system to generate efficiency and thus can reduce social inequalities (Mishra 1989, in Castro 2010).

To understand the reasons for the consolidation of the welfare state throughout its history, we should mention that the consolidation of democratic institutions and economic growth of Western economies after World War II were two key elements to allow this development. As a result, income levels and savings were achieved in which the states set up efficient tax systems appropriate for addressing social security and strengthening the evolution of state budgetary developments (Lindert 2004 and Comín 2006, in Fernández Sánchez 2014).

As a summary, we can say that the welfare state and labor and social citizenship have gone through several transformations, even conflict, to achieve social reform that was consolidated in the European territory in the twentieth century. Social and labor rights have been integral to the setting of full democratic and social citizenship and are also consistent with the demands of the working class and groups of the political left (Antón 2009). However, this balance cracked as a result of the socioeconomic crisis of the mid-seventies, a difficult period that would stabilize somewhat later in the nineties for having a restructuring phase.

However, in Spain there has been a great support from citizens regarding issues of the public field of the welfare state, particularly as it relates to health care and pensions of retirees. Thus, this has placed emphasis on providing these benefits to the needy by adopting a model of residual structure in which the State is fully meddled in the affairs for the benefit of the population (García 2010, 25)

2.3.1. The crisis continues to wreak havoc.

Once in the new century, the year 2008 was crucial for understanding the various changes that has been presented by the world system. The financial crisis was attributed as a matter that has a direct impact resulting in a new modern crisis of the welfare state. The general perception of public opinion held that the traditional economic ideology was an undisputed guideline about welfare cuts which were unavoidable to prevent the financial collapse of the state, taking the crisis as a purely economic issue and not an expression of social change in the whole structure model (Rodríguez 2011).

Thus Spain began to skirt the decline and, with the intense economic slowdown, the scope of the crisis escalated. Also found was a very unbalanced system, particularly in the labor market, which increased discontent, reducing benefits to maintain the welfare state (Felgueroso and Jiménez 2009). Situations like mass unemployment were one of the principal axes that the country had to endure, especially when in the preceding twelve, at the beginning of this situation, more than 7.5 million jobs were created and work places increased (Felgueroso and Jiménez 2009).

In macroeconomic terms, the welfare of a community reflects the level of development that a country has, and with economic conditions that have made the crisis since late 2007, has generated a great challenge that reached Spain. From all the problems and with unemployment, welfare cuts, tax increases, social conflicts and the loss of both economic and social stability began to realize that Golden Age which Spain had managed to consolidate was collapsing. Furthermore, low productivity of the economy and protests also began to take shape thus stalling further an important part of the objectives of welfare and social cohesion that were promoted by the State from the post-Franco period (Laparra and Pérez 2012).

Due to the new realities, there was talk about a new restructuring of the welfare state, defining the present and future of social reform. Spending and economic inequality, recent reforms, economic modernization, and relations between state, market, and family have taken a new direction in this regard. There was talk of a qualitative restructuring in which the dismantling of the WS has not been a major problem.

Although they have not kept their ideals intact and have not given an extension of its protective role, a change which involves a break with the previous traditional concept of the four models of welfare state has occurred (Antón 2009).

The trend rather focused on institutional restructuring, maintaining its social impact, reducing its protective strength, but including various adjustment components with some cuts but also some improvements (Antón 2009). Therefore, it is essential that by consolidating social rights as the basis of the WS there can be implemented an integration process to a globalized market economy so that their ultimate purposes are achieved, being indispensable the labor that each social group plays in this process (Castro 2010).

Although the WS is not fully broken, its restructuring has provoked several public spending cuts and also the diminishment of the coverage of social benefits, which according to Carlos Ochando (2011), an expert in economy from the University of Valencia, should not be an impediment to exit the crisis. Rather, the situation should establish parameters to confront it conclusively.

According to several experts, a change in the production model could strengthen the field of personal care services, creating efficient sources of employment which would stimulate investment and streamline the resources to obtain a recovery in the economy (Ochando 2011). The WS has always been a changing pattern, but if this system is coupled to the social and economic changes caused by globalization, indicators of increased life expectancy and incorporation of women into the labor market, it could create more efficiency and productivity (Ochando 2011).

The welfare state system has been based for more than fifty years on a conventional guideline, leaving room for a possible adaptation to new realities existing since the crisis. Some experts think that the state should be more dynamic and renew the idea of compensation so that a broader view is available on a social investment strategy where it is transformed from a protective organ of society to an investor and promoter of the economy (Esping-Andersen and Palier 2009 cited in Ochando 2011).

Furthermore, taking into account the high costs represented by child poverty and school failure, according to Ochando (2011), the state could for instance: generate greater social investment in children. This would be possible through the implementation of a public network of schools, not only to improve the educational development, but to encourage the incorporation of women into the labor market, and allowing mothers to provide better support to their children. Then, public spending is prioritized. These arguments would have to be analyzed in order to know if would it appease the severe impact that had happened and that had undoubtedly influenced a dilapidated Spanish system and how it could result their recovery. Anyway, it represents possible options to improve the country.

In spite of the population being affected by the crisis, we have to know that any difficulties presented, even to the most industrialized parts of society or those more modest, there would always to sacrifice some of benefits. In the case of Spain, although it had made decisions that affected the development that the country was reaching in the years preceding the crisis, there have never been too many options for the government to have in this scenario. However, there were some things that could have been avoided so that the dismantling of the WS was not as dramatic as was evidenced with the aggravated situation of the country and the discouraging picture.

2.3.2 New perspectives.

Despite these adaptations and redefinition, the crisis continues and is greatly exacerbated in the country, being reflected in social issues such as the possible increase in the retirement age from 65 to 67, the potential cutting of costs on the Unit Law, the restructuring of the government and the coverage provided by the State in all regards to access to medications in terms of public health (Castro 2010).

Faced with the imminent public spending cuts adopted since 2010, which was the first step that the Rajoy government sponsored to defuse the crisis, there emerged the massive fear of loss of social welfare in general. Of course, there was an obvious need for a guideline change, but how much would this affect to citizens? There has been a talk of a reduction in benefits beyond dispute, but the big question is how society will be prepared to support all these measures, this new social reality? These

questions, focused on the policies pursued by both the EU and by the Spanish central government, the proposals and actions taken to prevent further collapse of the system and the reactions of people, are the core guidelines of the next chapter that I will expose in the following section.

CHAPTER 3: ECONOMIC CRISIS IN SPAIN

Throughout this study I have collected various characteristics of Spain in recent years. Now is the time to focus on the year 2008, a key date in understanding the development of this chapter. The general idea of welfare that people in the country had has been very limited due to this period. The financial economic crisis, which has been heard of a lot in recent times, had a direct impact on critical systems and major world economies.

This event has blocked plans of many of the affected governments which had the goal to produce greater benefits for society. In the economic sphere, for example, countries sought to increase the investment of its citizens, generating greater stability to the financial system and increasing incomes for people. In social terms, the goal was to create jobs, access to public health and to develop quality education accessible to all.

Nevertheless, after this imbalance, the various measures taken by governments and improvement plans have had to be retrofitted. Countries have had to apply different methods to deal with the severe impact of the crisis and some of them, I would think most of them, had not completely envisioned the enormous task that it would cost them. Moreover, the role played and which continues to be played by the European Union to deal with this process will be a point to be discussed in this section.

In addition, it will be important to know the response that the current government of Mariano Rajoy and the previous government of Rodríguez Zapatero had when the crisis started. But mainly it will be necessary to analyze the actions taken and especially their suggestions for improving the situation. Furthermore, we cannot forget the people's response to this crisis, the development of social protest and the various groups that emerged from this event and how they have sought equality and benefits in return because of the gravity of the situation. The government has had to implement radical measures to deal with this. These issues I will detail below.

3.1 The global economic crisis.

The global financial crisis has generated serious consequences in many areas of society, beginning with the passing of a bill by the economic giant, the United States, but at the same time rapidly expanding worldwide mainly because globalization. Officially the crisis began in December 2007, when the American financial system entered into a serious problem that they could not sustain. It has been defined as the most severe recession since the Second World War, with a very sharp contraction of the economy and rapid expansion on large scales (Bellamy and Magdoff 2009, 9).

Under this scenario, suggestion of a repeat of the depression of the thirties could be seen, a period that had been a difficult stage in its history and Americans did not want to happen again. However, measures and actions taken for years do suggest that the governments in charge had much implicit responsibility, as well as other external causes that caused the serious consequences in society which have been so difficult.

3.1.1 Gestation of the crisis.



Source: El Mostrador Mercados

After a consolidation of the capitalist system for several years which generated an important growth in the most powerful country in the world, things were not as good as thought. It was the country in which people could invest with confidence, capitals were backed by big companies and citizens could enjoy many privileges they had done long ago with nothing to fear. However, it would be far from following that direction.

During this period the financial market appeared to be passing through a stable time. When people started talking about the economic downturn, government officials said that was not happening was no big deal. Just that the economy was weak but would have a quick recovery, as had happened in other similar situations so no immediate actions were applied to soothe the problem. It's like when a person is blinded by love and only sees the good things in the other person. But the Bush administration, which was the one in charge of the country at that time, only saw the good in the situation, and did not allow talk about a financial meltdown, much less of a recession, since this was already a very strong word and the United States had not experienced anything similar for almost a century (Stiglitz 2010).

We can say that the crisis was not only a result of certain policies implemented by the government in recent years, but also emerged after a series of situations that had been happening. For example, the stock market crash in the USA in the late eighties, the Japanese financial crisis and the stagnation and the Asian crisis of the nineties, to name a few (Bellamy and Magdoff 2009, 19). This crisis from the outset raised an issue that it should have been dealt with urgency, but it was not done in time.

The global economy suffered imminent impairment, sparking a serious process of stagnation. A crisis that goes beyond what can be supported is even worse when there are no quick and efficient options to counteract it in time. This is what happened in this depression because from its inception its scope was ignored, and was underestimated which probably stopped a potential recovery process.

With the inevitable influence of globalization, modern economic theory had promised prosperity and auspiciousness to society. It was hoped that the elements set in motion in the last century such as the efficient performance of the American

government at the end of the Cold War would allow an effective risk management and events like those that occurred would should not be among the options the government had to face (Stiglitz, 2010, 11). This is an issue of high confidence in the financial system of the country because states are clearly not exempt from making mistakes or to establish misleading measures when they predict certain situations.

Nevertheless, we can see that this crisis has left a strong legacy, which should generate new ideas about what the economic model that would give the best benefits to the population (Stiglitz, 2010, 12). Beyond the external causes, errors and omissions of the picture that had been foreseen had, as a consequence, the extension of the crisis, without being able to know how long it would last. Everyone expected it to finish soon; this is discussed below.

3.1.2 Causes of the crisis.

Many were the years of maintaining a stable financial system in the United States, where the invisible hand of the state, as defined by the theory of Adam Smith, did not intervene and the free market was regulated by the law of supply and demand. However, throughout history the self regulatory model has shifted, because it has to be intervened upon, in fact, rescued several times by the government (Stiglitz 2010, 14).

With the bankruptcy of Lehman Brothers, one of the strongest companies in the United States in the field of investment services, it was evident that the problems that led to this disaster were not only belatedly warned about in the financial market, but the government did not want to see the real problem, where a number of elements had amassed gradually and, potentially would create a chain of events that eventually would burst. There were several experts, including economist Stiglitz, who predicted these winds of economic stagnation and not just with moderate consequences, he felt that the economic model would a recession and not an easy one to get out of.

With the delivery of mortgages of dubious origin and with high levels of credit to people who could not afford the interest, much less the actual cost of the property, confidence in the financial system was lost. This was one of the triggers elements of

the housing bubble. People were given luxuries that they could not afford, the high profits provided with their mortgages allowed them to feel they were enjoying the deal of the century. However, this perception declined rapidly because it represented a high risk to provide mortgages to consignees who had no solid credit record. This risk was caused by a system that was projected to enrich people with goods supposedly not exceeding the value of their mortgages or at least not diminishing their acquired value.

While people were spending this fictitious money according to the value of their properties, housing prices declined, provoking loans granted by banks to disappear, interests were inflated and people could no longer afford to pay for them. With this a great conflict occurred and later these properties were widely devalued. To understand more why distrust was generated in the system it is important to clarify the origin of these mortgages.

First, a financial company gave the mortgage to a bank. This entity granted it to another agency in charge of issuing bonds as guarantee. These loans were divided according to their performance, and at the same time rating agencies measured the risk and shares obtained which were transferred by way of sales to other investors who wanted to reach the highest possible return on this purchase (Torrero 2010, 11). At this point the government could not see the big risk of granting subprime mortgages because this was a new concept and where increases in housing prices rose dramatically, making them “suitable” for easy access but this occurred without a thorough analysis of them.

This incessant granting of mortgages further entrenched the crisis that was brewing and it was supported by bad lending practices of banks which were used as collateral assets that had been inflated by the housing bubble. Furthermore, banks hid much of their bad loans, increasing debt and causing the bubble to be much higher with an aggravating and more far-reaching pop (Sitglitz 2010, 19).

This was something that, according to Stiglitz (2010), *Wall Street* did to harm itself, because the consequences of providing many benefits were not measured, encouraging excessive homeownership and providing a number of loans to these

same people who were unable to afford such the high costs that were generated as a result of this scenario (20). In short, in one way or another, this situation should have been better regulated without allowing this excessive confidence in the system, because as in other situations of everyday life, the extraordinary emphasis on security is often counterproductive and does not play out as we would like it to.

3.1.3 The relentless decline.

As I already mentioned, this crisis did not have recent causes. During the last thirty years the US economy has had to be rescued repeatedly. With these premises, banks became increasingly reckless, because they were confident that if a problem arose, they would be rescued immediately by the State as, indeed, it had been (Stiglitz 2010, 48).

It had to pump money into the economy to boost it and to generate a recovery process, but the banks wanted to continue hiding the obvious problem. In February 2008, President Bush applied some policies based on tax cuts, however they stopped the improvement of the plight. People in crisis couldn't afford luxuries, spend or invest in the economy. Rather, they were dedicated to saving as much money as possible to have a backup in case things got worse in the short or medium term. That is why according to Stiglitz, the option taken by the US government to allow this expense was a bad strategy since no benefit was generated and the problems persisted (Stiglitz 2010, 60).

Furthermore, the Treasury and the Federal Reserve had a big influence in this scenario since they gave major financial support to banks to try to save them somehow. But it could not give relief and it seemed that there was bleak. Consequently, they collapsed, while large shareholders sought to hold the money they had left, which they did.

3.1.4 Consequences.

The consequences of excessive use, overconfidence and lack of vision became inevitable. They did not feel it overnight, but with the slowing economy, problems in

the housing sector were compounded, directly affecting the global economic activity. This was even more than what was predicted would happen with the many problems of liquidity of the banking institutions and the very high volatility in financial markets (Reyes 2014, 11).

The contraction of the overall activity for the first time in over 60 years caused most to expect a slow recovery. The Americans were hamstrung, being unable to afford their homes, their income being insufficient to cover the indebtedness that had happened and this obviously would bring more problems as those generated when they could not cover their credit cards (Stiglitz 2010, 61). This context impacted families, because instead of having more options to alleviate the recession, they became more immersed in debts and problems.

In addition, another worrisome indicator was the high rate of unemployment that had gradually taken root in American society. Towards the end of 2009, the figures were very disappointing. One in six citizens seeking a full-time job did not get it and it would not be just that. People had a hard time finding a job of any kind generating in that period, a loss of 1.8 million jobs, which consequently made the bubble even more fragmented with a very high cost to people (Stiglitz 2010, 49).

This got worse as time went on and the society did not have decisive answers that could improve their condition. So, at the end of 2011, the unemployment rate in the country was very high, increasing in 2007 from 6 million to more than 13 million in 2011. Although they were actively looking for a way to earn income due to the circumstances it was quite hard to get (Krugman 2012, 17). These unemployed were considered part of the population immersed in involuntary unemployment, a scenario that should be corrected urgently to avoid more problems.

In general terms, the global financial crisis has affected the more developed countries in different ways, without neglecting the more modest economies. As a stop gap, some of them had adopted protectionist measures, great inequalities and social conflict as unemployment arose. They closed businesses, large industries went bankrupt, international trade decreased, and there was an increase of tariffs as a hot topic now surfaced the increase in poverty (López 2009).

3.1.5 Continuity.

We faced a decline in development, when the capital and financial markets succumbed to various scenarios that caused the process of stagnation of the global economy. Many of the most powerful countries in the world have been involved in a disastrous situation which is not over yet. Presidents Bush and Obama, in power during this process, underestimated the gravity of events and they thought that with the injection of capital into financial institutions, everything would return to normal and that the housing market would emerge smoothly (Stiglitz 2010, 110).

Powerful countries such as the United States passed from widespread abundance to the absolute scarcity of goods and benefits. Citizens were dazzled by the idea that they could spend with a greater range of possibilities and everything would be fine, because their homes cost a lot of money and proved to be a guarantee of their purchases. In addition, they would be beneficiaries of the many services and luxuries that their mortgages would provide in the coming years. Unfortunately, what happened was far from that scenario (Suárez 2011, 27).

Nevertheless, this has not lead to a turning point for the economies of European countries. This is because of different policies and decisions similar to those applied in previous years in the USA, which were some of the startup items to this recession, which has greatly weakened their financial systems and the consolidation of a stable, long awaited growth rate.

Furthermore, with the spread of the crisis an epidemic touched the governments of Euro zone countries such as Greece, Ireland and Italy, and of course Spain. It was essential to find quick solutions that improved the performance of these countries, and to avoid further stagnation that they had experienced since this decline, to find a method of timely and effective recovery.

What should we then expect? How will they strengthen the measures and tend to the betterment of society and system? What measures were taken as solutions to the global crisis? Could it be that those applied by governments are yielding positive results? Could they be extended as mechanisms to give relief to the rest of the

distressed economies? These are some of the concerns that I have raised and in the following sections I intend to respond to them. Now it is time to focus particularly on the situation of the crisis in Spain.

3.2 The economic crisis in Spain.

The crisis spread around the world and came to be linked to a highly developed region where they had felt and successfully exceeded the ravages of major historical events such as World War II and the struggle for transitions to democratic governments. The Spanish case starts from this point, and as I mentioned in the first chapter, it is here that a new structure for the country begins, based on the model of change. The achievement of democracy as the primary objective was a fact that since the mid-seventies had been perpetuated and governments had put much emphasis on consolidating it and achieving it.

The adoption of the Euro as the single currency after insertion into the European Union enabled the country to have a stronger economy. Price regulation would influence the obtaining of great benefits such as credits that previously had been thought of as unimaginable access (Krugman 2012, 187). However, this measure contributed to the consolidation of the construction industry generating large-scale housing projects. So the country's resources were invested in the launch of these implements which could be used for other more vital areas. But thanks to some tax advantages and productivity enabled the sector to be more profitable at the time, just seemed to be more competitive (Alabort, Buendía and others 2009, 22).

Thus, a huge bubble almost completed, in the real estate market developed, history was repeating itself. With strong banking regulations imposed by Spain, banks could withstand a much larger wound with an economy suffering a more severe impact than other countries (Stiglitz 2010, 53). On the other hand, the external crisis also affected Spain because it is a country highly indebted to the outside with an increasing deficit, which caused a heavy reliance on Spanish economic activity in foreign loans. So with the decline, banks, businesses and families have had to endure circumstances with borrowing becoming increasingly complex (Boldrin 2009).

3.2.1 Uncertain outlook.

The reality of the country was under fire, with a large current account deficit of 10% of GDP in 2008 and an expense of fiscal accounts. Later, in 2010, the debt in construction was estimated at approximately € 470,000 which represented 30% of the Spanish GDP (Suárez 2011, 108). These figures were quite alarming because real estate was no longer a source of revenue to cover the optimal debt having overrated these goods, this contributing to the decline in productivity in the country.

Thus, the first effects became apparent, for example, layoffs, denials of loans to settle debts, unemployment rates which had subsided by 9% in 2005 and only six years later reached 22% ranking among the EU countries with the highest deficit and inequality. This reverberated in very low income levels affecting the most vulnerable sectors of the population (Laparra and Pérez 2012).

We can note several aspects about the job losses as there have been many different social groups who have suffered with this condition. According to a study by the Employment Observatory of the crisis (2012), first you can differentiate the workforce of men with a greater decrease in relative numbers of women. Furthermore, indicators at that time showed that the level of education represented a key factor to be able to stay in their current job. Contract types also showed a significant factor as did jobs by sector though, obviously, those of construction were severely affected.

Another constraint that has been a regular part of the situation in Spain has been the period of time unemployed. Thus, when a person spends a lot of time unemployed, although there are no specific tests proving a loss of job skills or catalogued evidence that they are poor candidates to run for a position, companies considered them to be citizens with fewer possibilities (Krugman 2012, 20). This situation converged even more with the difficulty to find a livelihood, because, with this type of conditioning, people who have spent more than six months without a job will feel more hopeless and helpless and they will not expect that things will improve with time, but rather will become more serious, destroying what they had built with so much effort.

In addition, youth unemployment had doubled as a result of the crisis, but then was reduced discreetly. This group was not saved from downsizing and the limited recruitment of companies. Despite being recent graduates of universities, people with high skills and competences, who are usually expected to be more prepared than other candidates to meet the demands of a modern economy, were not free at all of the problem (Krugman 2012, 21).

Furthermore, we cannot ignore the fact that education is an extremely important element for the development of a country but despite this, there have been massive layoffs of teachers, this in addition to the situations of discontent already identified. On the other side, the crisis has broken the future of society because with little investment in private companies and the weak public sector investment, it has not allowed the economy to recover to its peak (Krugman 2012, 26).

The massive boost in excessive and irrational consumption, the great access to easy credit, an ambition to achieve sumptuary things and move to the higher level of consumerism typical of a capitalist society, among other things, led Spain into recession in late 2008. This happened in the first quarter of 2010, when a small recovery nevertheless fell again in the second half of 2011 when the power of the crisis intensified and the debt also expanded to other countries (Ortega and Peñalosa 2012, 7).

While households and non-financial companies were those in a position of indebtedness banks intervened to obtain external funding to support the external imbalance, creating and increasing borrowing for businesses and households with Spanish banks, which generated a rapid progress of the vulnerability of the economy of the country (Ortega and Peñalosa 2012, 26). Thus, these groups had contracts expiring with the financial sector, but were in great trouble to cover them.

Another alarming fact is based, not only in the field of construction, but when many problems arise, these cause others setting off a chain reaction. The property sector has affected more productive sectors of the Spanish economy and, quoting the Governor of the Bank of Spain “consumers do not consume, employers do not hire, investors are not investing and the banks do not lend” (El País Journal 2008, 24 cited

in De la Rica 2009). This led to a series of disturbing situations and production activities in the country and it started to stagnate.

3.2.2 Problems Persist.

The development of a crisis, especially when this has been so widespread and has had a rapid global expansion, causes social problems to increase exponentially. Not only does this play out in terms of lack of job opportunities, which is the first effect when a period of recession occurs, but internal social conflicts of families growing at a very fast pace which sometimes, a society cannot control.

I submit the example of a typical case of a father seeing a difficult economic situation. The well-paid job comes to an end, a decrease in salary occurs and it is not enough to cover basic needs for him and his family. Consumption has to be fairly limited as there is no money to pay the necessary expenses much less to try to indulge outside the range the priorities. The stress of the inability to pay bills and being powerless against the bleak picture that has been presented and not knowing when it will recover because the stage of the country is uncertain, greatly weakens the family unit and society enters into a stage of general discontent.

On the other hand, among other causes, but mainly driven by the dissatisfaction that Spain has shown, many suicides have occurred particularly between the age of 40 to 60 years. There was also marriage breakdown, increased time of adult children living with their parents and an inability to be independent as well as borrowers nationwide discovering that banks were selling their properties, without restraint and without being able to stop them (Stiglitz 2010, 115). Even some people who had been current on their payments and taxes saw their homes and businesses sold at auction without their consent.

Citizens lost their lifetime savings, debt has dipped increased dramatically, leaving aside the privileges that were reserved for a future and old age. The savings for the education of children in middle-class families was lost and many of those had purchased goods that completely lost their significant commercial value. All the hard effort achieved after years of hard work resulted in a partial loss or in some cases

total loss of benefits and the onset of a marked instability and people did not know for sure when it would end.

Another aspect that has been unleashed from this scenario has been the migration of young people in search of a livelihood that would help the family economy. A phenomenon in Spain has been well known of immigrants from developing countries that have come to Spain to seek improvements in their lives, a situation that was sustainable before, during these years of recession, particularly between 2008 and 2013 but which has been quite the opposite according and to the numbers. According to Eurobarometer 2011, Spanish youth between 15 and 35 years of age were willing to change their place of residence to find better jobs or employment and only 29% of them said they would not like having to leave the country (Moreno 2012, 35).

The Spanish economy has shown a problem of uncompetitive production structure. In the crisis period it was necessary to avoid increasing inequality and social tensions giving response to the needs imposed by this. Therefore, the reduction of new forms of poverty has been required to keep what people had before the crisis, a more stable model, but also to raise social spending coupled with equal austerity measures, although with this, citizens would face living with marked differences between rich and poor (Ayala 2012).

3.2.3 A slow recovery.

It can be said that the Spanish economy showed major problems for recovery compared with the average for the region and until the third quarter of 2011 had recovered only 20% while employment continued to decline after fifteen quarters of declines (Ortega and Peñalosa 2012, 35). Also, prospects had deteriorated intensely and one could not rule out a new record with other significant decreases.

The flexible working model that the country has taken has been unable to correct social inequalities that produced the impact of the crisis on the market and increasing poverty. The Spanish welfare state has responded by increasing its coverage capacity. However, this support, when compared to the average of the region has been less definitive in reducing poverty. Moreover, working age people were

worried, not only by the absence of work, but also by the restricted capacity of unemployment protection policies and minimum income (Laparra and Pérez 2012).

Thus, it can be noted that the severe impact of the economic crisis quickly transcended borders. But with this, I do not mean it has been a purely external problem affecting the foundations of a renewed Spanish system from the new constitution, since, in the beginning, they wanted to demonstrate the leadership of the government and Rodríguez Zapatero himself. Conversely, as we have seen, there were internal structural problems, coupled with the lack of vision of investment that have been creeping up when that decline occurred and the bubble burst-- this in a country whose past policies seemed to have taken a moment of glory to its population and in which the welfare state appeared to be at a fever pitch.

3.3 The role of the EU in crisis management.

In January 1999, the Euro became the official currency of more than 33 million EU citizens currently having a completely international significance which has allowed more choices, greater economic security and improved financial stability for citizens of 27 the countries who rely on this system (Krugman 2012, 180). However, while these measures benefit in certain areas, they are also limited in some cases by the actions of governments when problems arise and they cannot apply their own measures but have to be subject to the parameters set by the organization.

In this regard, the European Union could not remain perplexed by the situation of the crisis and developed some important measures in order to mitigate its effects. In addition to be becoming increasingly global it had been projected as a rather complex issue with a very wide scope for society. Thus, it was possible to distinguish two stages of this process.

First, before the release of economic stimulus measures boosted by euro zone countries, it sought to convey confidence in the financial systems (Cerón and de la Fuente 2010, 13). The second stage started with the meeting of the European Council at the end of 2008 in which expansionary fiscal policies for economic aid to private consumption and public investment were promoted and where the states encouraged

programs aimed especially at restoring jobs and, in the Spanish case, pointing to the housing recovery (Cerón and de la Fuente 2010, 13).

At the beginning of this crucial time in economic and social terms for global economies, the government of Rodríguez Zapatero, who was Spanish head of state when the crisis began to argue that the financial system had to be a helpful tool in the economy and not to serve to the speculation and the ambition to achieve benefits without social responsibility (Sánchez 2009).

Following these parameters, there was a meeting convened by German Chancellor Angela Merkel which brought together the main European leaders, including Zapatero, on February 22, 2009. There, they sought the need for regulation of the markets and various financial actors that would control the formation of monopolies that had an exclusive relationship with the intervention that the State should have (Sánchez 2009). Also, there were representatives of the European Commission, the European Central Bank (ECB) and of course the European Union (EU). Here, it was agreed that markets could not act without a specific regulation and salaries of leaders of financial institutions and that the elites should be drastically controlled in order to encourage the whole society (Sánchez 2009).

On the other hand, in more particular terms, many have criticized the actions of the ECB because this had some limitations of institutional design, the opposite of what the U.S. Federal Reserve is, making it more suitable to drive expansionary measures in the crisis. Within this situation there is a mechanism for fixing the "no bailout" restricting the operation of this organization to countries with financial problems (Sanahuja 2013, 57). In this sense, the ECB cannot be awarded the role of guarantor or lender as affected countries could only recover through a set internal devaluation which provided for a reduction in prices and wages. Since there were no other options such as devaluing the currency they had to try to gain a more immediate recovery which greatly limited its actions (Sanahuja 2013, 57).

Despite talks of restrictions kept by the major regulation institutions of the EU, in this case the ECB, a few weeks after the crisis materialized and when its scope was assumed, it began to inject public money into banks, also there were awarded some

methods and loan funds to acquire assets (La Caixa.2008 cited in Seminario de Economía Crítica TAIFA 2010).

In addition, in the middle of the second year of the recession, the ECB developed a particular mechanism, the Securities Market Program, which was needed to purchase debt securities of countries in deep trouble, such as Spain, with the decision to not rescue or intervene in the economy (The Economist 2012 cited in Sanahuja 2013,57). With these elements, towards the end of 2010 in the euro zone, there were implemented national recapitalization plans equivalent to more than 2% of the GDP of the entire region.

However, the range of support that was implemented has left many concerns about whether the bailout that gave the EU has been really effective and coordinated. The 800,000 million which would be agreed to be given by the European Financial Stability Facility in early 2012, has also been largely provided by the International Monetary Fund, which most international agencies joined in the search for the bailout of the country (Seminario de Economía Crítica TAIFA 2010).

The various institutions responsible for preserving and solving the country's problems in difficult times have greatly changed its policies, because with periods which Spain has and is still experiencing they have had to impose specific and effective measures for real improvement in their States. In this process governments could not be guiding and enforced to the established rules, because in times of recession it is best to establish effective measures that can be applied to a problem of great magnitude.

3.3.1 Some proposals for improving the system.

The European Union raised some recommendations to take into account in development plans, to establish a prolonged improvement of the situation in the countries such as Spain were experiencing. The first point suggested was the creation of an independent fiscal agency which can monitor the compliance of budget policy with current national laws, in accordance with the EU (Comisión Europea 2013).

It should ensure a system of payments during the life expectancy of the population, and the health sector should provide more coverage while maintaining an emphasis on vulnerable groups. In addition, it was necessary to encourage the financial sector to recapitalize banks, to analyze the possibility of raising the VAT and environmental taxes. Furthermore, it should tend to reduce poverty by strengthening labor market policies to enhance a conducive working system such as ensuring relief to the unemployed according to their profiles to give them other opportunities to obtain employment (Comisión Europea 2013).

Using data from the same report of the European Commission in 2013, other important aspects that should be emphasized were education and training for the labor market. If education increases for a prolonged period and continues, enhancing it around a global system for monitoring student performance, could be avoided generally the dropouts.

With this we have seen some of the most important measures in force in the European regional system as a result of the depression. Then, we will see the response of the two governments which have had to face the crisis: the first when it was still brewing, the second when making the post when the country was succumbing to the reactions of the people with large-scale protests in response to unemployment and evictions. Both have created measures and policies in an effort to improve the conditions of citizens before the decline in accordance with the plans and implementations that the EU has had throughout this difficult process of mitigating the problems.

3.4 The government response to the crisis: actions and proposals.

After winning the 2008 elections, the government of the PSOE faced a difficult situation which was happening in the world and which soon affected the country. In all these vagaries, Rodríguez Zapatero gave a mild diagnosis, considering that Spain would be well prepared to soften the harmful scope and deal with the complicated situation that the global economy was experiencing.

Before the presidential inauguration the president swore to direct his second consecutive term in government; among the priorities of the campaign were the boosting the country's recovery and diminishing the rapid economic slowdown that was hurling the kingdom toward a global decline (Ecured 2013). However, the situation took an unexpected turn and because of the severity of the crisis, Zapatero had to violate some of those plans that had been promised in his oath as president.

Initially, the leader sought to qualify the effects of the crisis by acting more in accord with his interests than the population as a whole. The thought of the government claimed that external events had reached Spain and also created the crisis in this country. Neither wanted to feel the real dimension of it, because there was a talk of a slowdown but not a crisis as such, which would have enabled a change of direction to be a little timelier (Torrero 2010, 26).

3.4.1 Actions and Proposals: first stage.

Despite the lack of efficacy to identify the problem and give it immediate solution, in the late 2008 Zapatero attended the G20 meeting in which he supported the plans about the implementation of a project of fiscal stimulus and attention to the economy, that would have greater clarity on the financial operations performing by the banks (Ecured 2013).

In April of that year, the government began to present a plan for the economic stimulus of 12,000 million of euros, that, despite being a great incentive would not meet the expectations of improvement as the crisis was making losses greater than those predicted (Seminario de Economía Crítica TAIFA 2010). Months later, new actions were implemented to boost economic growth and stop the spread of the crisis though government leaders were still reluctant to admit the true magnitude of events.

The Spanish economy was full of credits of real estate projects and mortgage arrears, so the government decided to implement certain elements to improve the situation. First, it offered to reduce taxes which was complemented with the support it gave to the construction industry and a plan to relocate the unemployed sector. Also they stimulated greater liberalization with the declining offer of public jobs, also

establishing a freeze on salaries of top officials and giving 1,500 million euros per year for a vehicle replacement plan (Seminario de Economía Crítica TAIFA 2010).

The government began the purchase of subsidized housing, facilitating SME financing faster than anticipated in order to achieve a liquidity of 20.000 millions of euros. Furthermore, the Suppression Act of Wealth Tax was applied because it was necessary to save 1,800 million euros for 1.3 million taxpayers with this tax (El Mundo Journal 2008). In addition, it was encouraged the reduction of administrative burdens for Spanish companies to be competitive and to be productive in the environment was encouraged, which in turn yielded 6,000 million euros of guarantees between 2009 and 2010 (El Mundo Journal 2008). It seemed that with these implementations there would be a breakthrough in reducing depression but the government must continue to innovate their proposals to reflect the efforts of its officials to achieve an overall welfare for all.

Thus another measure applied was the creation of a plan for the purchase of financial funds with 30,000 million available and extendable to 50,000 million, so that they could acquire healthy financial assets like mortgages and thus generate liquidity in the financial market of the country (El Mundo Journal 2008). Nevertheless, despite all the elements that the government wanted to implement to solve the overall annoyance of the population, it could not reverse the effects immediately. The unrest continued, citizens had no hope and it seemed that the government's actions did not generate positive effects which were the most needed thing since people had long since lost confidence in the system.

Meanwhile, in 2009, the situation more forcefully affected the Spanish economy, for it was now that the kingdom was leading with the highest rates of unemployment in Europe with 4.4 million people. It was a shocking figure and deserved further action to be taken because it was not generating many jobs. To counter this situation a bit and expand as far as possible the income received by workers, Rodríguez Zapatero decided to increase the VAT (value added tax), which, instead of appeasing the already difficult situation, caused more unrest with serious effects on trade and investment (Ecured 2013).

While these events transpired and politicians did little to quell the discontent of citizens, already beginning to take shape in small amounts, but with clear direction that would extend later came the idea of enforcing the rights that were being treated as secondary. People wanted the State to give them welfare. Although it was difficult in times of crisis, it was absolutely essential for the development of a society which asked for immediate reforms.

3.4.3 On the road to uncertainty.

It was 2010 and the political decisions that were being made were complex. Economic policy that prompted the government in this period began to dramatically contradict the socialist discourse promulgated from the PSOE and, despite knowing the implications of this new approach, the president said it would make "decisions that Spain needed although difficult and would follow that path regardless" (Rodríguez Zapatero cited in Garea, 2010 cited in Guillén 2010). With this attitude, the government made bold decisions because it wanted to take a new course on the difficult road to recovery that the citizens and the government wanted.

Thus, the process continued with a spending cut of 15,000 million euros that year and extended to 2011. Public employees had to accept a reduction of 5% in salary, pensioners would not having increases which would allow them to have a proper support for their old age. Furthermore, baby checks were removed which had given a certain amount to mothers once they had a son. 600 million euros were reduced for social and development projects and there was a reduction of 6,000 million euros between 2010 and 2011 in public investment (Guillén 2010).

Rodríguez defended the measures taken regarding public expenditure, stating that in the future when the context is analyzed it will be evident that it had been necessary to do things like that. However, imbalances of 11% deficit and 20% unemployment that same year called into question the effectiveness of its policies. Europe pressured the government to take swift actions in defense of the euro, meanwhile unions complained when these measures were imposed (Guillén 2010).

In addition, the president had said he would not rule out the possibility of implementing new tax measures as a major tax increase could help to reduce the public deficit. The party leader stated that the government was "fully sensitive" in the distribution of these efforts and also argued with this that those with more capacity, in this case referring to the government, had made greater efforts to address them (Guillén 2010). At that time, the EU sought to control the budgets of each state of the euro zone before they were approved by their parliaments and so continue to govern the policies that the Spanish state wanted to impose.

The effort made by the first government as far as public spending and investment is concerned, was projected as one of the spontaneous solutions to the crisis. It could not turn back and think about what was not done, rather it was essential to know what went wrong, correct and propose plans to fully enhance the complex environment that had been generated. With this background, the leader of the PSOE stated that Spanish society could overcome the crisis through the joint efforts of all and through employment recovery (Collado and Jiménez 2012).

In short, in this period, the Spanish government, under the influence and pressure from the EU, initiated a process of adjustment and cuts of fundamental rights which caused the loss of much of its electoral support and, as a result, it initiated a period of decline of the socialist vote. The questions were great and the PSOE lost local, regional and general elections in 2011 as a result of the enormous drain on the economy (Sanahuja 2013, 67). The lack of credibility of its citizens, nationalism and the populist right that was emerging further broadened the context of economic insecurity that people had and rightly directed their complaints to the government.

3.4.4 A new government in front.

After the electoral defeat of the Socialists in late 2011, the new president, Mariano Rajoy, a conservative leader of the right, applied drastic cuts in the level of welfare; areas such as health and education were the most affected in their assignments. In addition, various labor policies occurred such as the decreasing resources dedicated to the care of young children which widely compromised the continuity of these programs. These were necessary to achieve a balance between the needs of citizens

and the timing of the maintenance of the welfare state (Del Pino, Moreno and Klose 2014).

Despite the harsh criticism towards the previous government during this period, after a little while after the swearing in of the president and with radical proposals for improving the crisis scenario, the new government faced with the same situation as above, has to retract several of its commitments. First, the issue of taxes was still big, labor market reforms and welfare cuts kept booming having a deterioration of its inner essence in the first three months of Rajoy's time in office, as the attempt to renegotiate the terms for change in economic austerity measures previously applied, could not be effected (Álvarez, 2011 cited in Collado and Jiménez 2012).

The discontent generated by the default that Rajoy's government had maintained on their approaches and according to the citizens and because of different structural conditions which left much to be desired. Some strata of society stagnated with economic cutbacks that were conducted, especially towards the end of 2012 and much of 2013, when the government launched a plan to reduce pensions for retirees, which also extended the time in which this group could receive their pension. All these elements reflected the condition of the most vulnerable groups as generally happens in crises. The disappointment at these was still very large and outputs to quell the problem have been limited.

This, as in other cases, has strengthened the disorders generated to defuse the crisis, leaving unprotected those who reduced their chances of revival, especially the middle class which allocated a significant portion of its budget to pay taxes. The benefit for the majority has been a component which was done at the expense of the masses which are the ones that suffer most with the social consequences of a crisis.

3.4.5 Actions and proposals: second stage

As part of its ongoing improvement plan, the government proposed several measures to continue confronting the social tendencies and those economic and political policies that had been generated in that time. At first, they wanted to cut spending caused by some public positions that were not indispensable in the administration. Also, within the proposals of the PP, the party of the new government, was the creation of hedge fund unemployment for workers in order to promote mobility and to build trust. This would apply when the situation in the country improved, because it was not yet clear what government agency would pay for these (El País Journal 2011).

With some of these measures such as cuts, the Autonomous Communities began to discard from their budgets those funds that previously were extended by the state, forcing them to cut costs and run out of adequate resources for funding, which was evidence of a decline in coverage of many social rights, issues that mainly affected the quality of benefits that these services provided (Del Pino, Moreno and Klose 2014).

While regarding health, the National System of Health has suffered several reforms, in the pursuit of providing the necessary coverage and limiting the scope of services of the public health system. Appearing in this scenario was private insurance which enacted and further emphasized the differences between vulnerable groups and the rich (Del Pino, Moreno and Klose 2014).

Furthermore, in early 2012, the conservative government approved a new regulation about the dismissal of workers, issue that weakened the influence of unions in this topic and so allowing companies to maintain internal proposals. This enabled them to reduce wages anytime which led to the absence of stable jobs for citizens. According to the authors, with these measures there may appear new significant social consequences in the long run, because Spain has been immersed in a different scenario of the WS than other European countries, having become a country with some shortcomings (Del Pino, Moreno and Klose 2014).

Meanwhile, Rajoy set other proposals in order to avoid further imbalances that had been noticed in the last few years. Thus, they wanted to optimize the competitiveness of the economy through internal devaluation, without considering the impact of these actions in the groups with lower income possibilities (Del Pino, Moreno and Klose 2014).

As an account of the policies initiated by the last government at the time the crisis had passed, it can be mentioned that people did not see major advantages in terms of reforms passed after two years of cuts. Also, the secretary general of the PSOE and opposition leader, Alfredo Pérez Rubalcaba, said that the unemployment rate was higher than when he took office, further stating that the president sought to keep the people for their broken promises (Huffington Post 2013).

In short, both governments used different mechanisms of defense against the potential crisis. They wanted to avoid at all costs that the depression generated a collapse in the population, which would have wiped out their savings, their jobs, prosperity and opportunities to achieve the benefits and dreams that a developed society has. To avoid future liabilities which may have consequences that are difficult to support, governments should be more effective to act when suspected irregularities begin, for only thus can they have good results that avoid the significant wear that is always suffered by the most vulnerable sectors of society.

3.5 The response of people: crisis and inequality. The social protest to the crisis. Indignance.

As I already mentioned, the social problems that the crisis brought to light not only could be described in the economic as well as the political sphere. This scenario transcended all the more into intimate aspects of the population. On the personal level of citizens, the sense of dissatisfaction with the injustices and cuts, that despite having been slightly placated with some government measures, had failed to quell the desire to be re-immersed in a society where welfare is a key component for development.

3.5.1 Crisis and Inequality.

As I have already explained in detail, the crisis had hit the country during the years of its evolution, being discontent and the powerlessness against the backdrop of two elements that they have not let up since its inception. Depression has remained latent in the population and inequality and lack of opportunities have become endemic in Spanish society. The poverty level reached in the country during this period exceeded a scale with the figures of a state where it tended to have equilibrium after an eminent decline.

The cuts approved by Rajoy greatly affected the output during the depression that had spread in Spain. These items have not enacted the reactivation of the economy as expected to do. Also, with respect to taxes and income, these two features have rather low purchasing power for wage earners without affecting the interests of the great bastions of society (Attac España 2012). The proposed reform has not become a socially just reform to the crisis.

On the other hand, one thing that surprised me a lot was the case of a Spanish girl who graduated in management and marketing and who, after finishing her studies, sought to get a job. But with the mortgage mess, the jobs available for her fluctuated from between being a restaurant waitress or bartender in a bar. Without diminishing these jobs, obviously there was not a good option for someone who has dedicated much effort and money in pursuing studies for several years. But I found it most curious that none of these places, wanted to hire her. They said that her vast experience was too high to have her doing that work, to which she replied, that the important thing was that she needed to work and help create a livelihood for her family because unemployment was really disturbing (El País Journal 2013).

Here we can discuss various aspects. The first is a disastrous situation as is an economic crisis where options decrease and opportunities are limited. We already know very well that also some people suffer with desperation with incessant actions that produce policies implemented by the government at the time and they cannot control their frustrations.

Some are likely to get hot with repressed rage when feeling upset; meanwhile others are just passing the days without many proposals and just settling for that situation, although obviously they do not like to remain in the shadow of this scenario. However, there are those who are determined, fighters, people who are not afraid of challenges. They know very well what their rights are and they have to fight to have society where they do not want to be subjected to a regime and who want to believe again in the system. These were the many who led social protest.

3.5.2 The Social Protest to the crisis.

Under these assumptions began a series of demonstrations that were generated at a time in which the population could not stay static to the constant problems that had been increasing for quite a few years and which had not yet found a comprehensive solution. That is why from this point, a series of ideas were being generated in their quest to achieve the basic principles that a state, the guarantor of social rights has. It and also protect the interests of the needy and ensure its stability as indispensable conditions for living in harmony in society.

There are social groups that are most likely to be affected by the problems, even more so in a crisis of great magnitude, especially for those who cannot stand being submerged in a lack of opportunities. With this background arose protests for a change in the policies applied which had not marked an improvement for the situation. Furthermore, conflicts of interest occurred for a decent life style and especially the immigrant populations were affected since the model was criticized. This responded to the premise that, if there is no work for the citizens themselves how can work be granted to foreign groups.

Thus, we can mention the emergence of the social group named *Occupy Wall Street*. This was a movement that emerged in the United States as one response to the crisis since citizens were very concerned about the conditions that had happened. The society succumbed to very high levels of unemployment. They had little opportunity to insert themselves in the workplace and budget cuts did not cease so citizens sought a way to protest against the measures taken by the Obama government. Thus, this social group emerged with strikes and mass demonstrations in major cities. The

Occupy Wall Street movement gathered around a theme: “We are the 99% ... much closer to the truth than the wordiness to which we are accustomed with the ruling class” (Krugman 2012, 151).

In addition, the movement emerged as an alternative to establish political activism and critical of society, establishing a flat hierarchy allowing more voices to join in pursuit of a common goal. Ideas flooded the assemblies, mainly calling for a shift in democracy reforms to ensure economic and social justice and sue those responsible for the damage that was causing so much harm to them. There were bold protests with a collective conglomeration of ideals (Riie Heikkila 2012, 21).

According to Chomsky (2011) this movement has had a major success with the enactment of their ideas about a number of changes to the socio-economic system in recent decades. . Furthermore, the author emphasizes the theme of these groups by saying they are 99% with about 1% representing the entrepreneurs and senior members of the financial system, emphasizing the extreme inequality between these two social sectors. This is an extremely entrepreneurial society, with at the explicit goal of creating a social order of consumption of goods, dominated by business and highly controlled, where socialism is a bad word, and also where people can have a key political democracy without the activity of an economic democracy (Chomsky 2011).

Thus, this organization quickly spread throughout the world, particularly in those countries that were suffering the greatest consequences of the financial crisis. The lack of effectiveness in implementing policies of adjustment and restructuring allowed that this event would transcend far beyond the borders where it started, so that its diffusion was enacted to achieve the greatest possible social rewards.

Undoubtedly, this represented an important guideline for the movement to spread to the nations hit by the recession, Spain being the country where there arose mainly social groups that wanted a more just and favorable balance of income. It also sought the consolidation of a government to provide them the opportunities which had been marked by inequality in previous years and which seemed to follow this line.

It should be noted that social conflicts not only remained in unemployment. The major players in this have also been the young which was the most affected sector of those having college degrees but who were not be able to get a job or simply work in an outside area in which they were trained. This has been very frustrating for people with dreams of starting a happy future. But not only that, the suicide rate increased exponentially because they could not pay their debts. Faced with the loss of their homes or businesses, they found no other choice than to resort to such a drastic alternative, an action to prevent further suffering, which at that time, saw great increases.

3.5.3 The Indignados in Spain.



Image of the first protest in the center of Madrid

Source: Archive, cited in La Nación Journal

The 15-M had its beginnings and influences in the Occupy movement or demonstrations in Arab countries, after chasing objectives of fair fights and the recognition of the people in a society deteriorated, which quickly became world news with its direct criticism to the economic crisis in Spain. It even proved to be an inspiration for similar movements in other countries (Arellano and Moreno 2012).

In 2011, the 15M Movement began to generate ideas in Spain and was listed as a social movement which took had its starting point on Sunday, May 15 of that year. There, through various manifestations and prolonged protests nationwide, the most significant of those occurring in the Plaza del Sol in Madrid, a wide by the number of participants were supporting the cause and became the largest in magnitude with the purpose of crystallizing its objectives (Movimiento 15M 2013).

The anger and mistrust towards public institutions and the decadent system generated a desire to create new things. They craved a change in the system, with hundreds of protesters being consistent with the nonexistent representation that kept those leaders, this being one of the slogans that were widely heard in the streets at that time. The protests were during elections which accentuated the discontent that population had (Movimiento 15M 2013).

Government officials were surprised to see more than 20,000 demonstrators come to camp at night in the Plaza del Sol. But on the morning of May 17, 2011, the police stormed and ousted those who remained there. However they did not stay quiet and retook the square that evening. On May 20, the Assembly decided by consensus to address the proposals and objectives of the 15M Movement, while the press made headlines of all the events that were happening (Movimiento 15M 2013).

The *#SpanishRevolution* which was also was known, had its origins on a platform of citizen action groups. They expressed concepts like State Upset, that they were tired of the behavior of the government representatives, welfare cuts, high unemployment and the loss of fundamental rights (Arellano and Moreno 2012). So it began to be recognized on a large scale when the radio, television and other media began to talk about what happened and of the groups that were having demonstrations in the country.

The main proposals demanded to be taken into account by the authorities were: to provide care for the basic needs of the population listed as essential in the country's constitution, this is, the right to adequate housing, in addition to providing universal and free health care, free movement of people and reinforcements to secular and

public education. Also, they requested a tax reform and tax adjustment of working conditions with a focus on its compliance (Robledo 2013).

Furthermore, an important effect that this movement had was to create small systems of solidarity in which mutual support, trust and cooperation, had been key pieces in which the people having these ideals could cope. On the other hand, the challenge was to learn how much the society could commit to the remaining 99% of people towards these protest activities. These were also concerns that had long plagued the rest of society (Arellano and Moreno 2012).

A month later began demonstrations by an assembly that had formed on the square in Madrid. They decided to leave the site voluntarily after having remained there for 28 days. From that moment, the 15M movement has remained active through meetings convened in the streets of major cities and in every neighborhood having used information technology and communication and social networks as two key tools for the expansion of its premises, something which had a major impact nationally and even internationally (Movimiento 15-M 2013).

Over the protests of such high magnitude, the government began to curtail their freedoms, prohibiting camping in the streets or in any public space. This increased the indignation and popular support towards the masses that had already mobilized and were fully immersed in the project of repression, with direct criticism of the inability of the political system to defend the interests of the people who were suffering the most needs (Arellano and Moreno 2012).

People who were involved in the movement have shared their experiences about the opportunities they had to demonstrate through this organization, as well as to perceive an environment to be drivers of proposals that would serve to reform and cause their voice to be heard in all the country. Moreover, the camps in squares and demonstrations in the streets became propitious moments where these people could manage driving policy ideas of the 15-M movement and to get a strong management with the positive results they desired (Arellano y Moreno 2012).

The indignant protest movement of 15-M has worked at the local level which focused on collective action unlike protests in other historical moments in the country which had a tendency to occupy idiosyncratic spaces, further emphasizing the discourse of neighborhoods and nearby towns. In addition, what has been fundamental is the symbolic role played against evictions and the attempt to glimpse the financial power and abnormalities of mortgages. All these elements reaffirmed what has created and driven the 15-M to have an unequal confrontation between financial power and the people's representatives (Alonso 2012, 5).

A truly surprising aspect has been the ability of the convening of 15-M movement in Spain. With the government's inaction, the Indignados developed a protest aimed at meeting the basic benefits which a State must provide. Although with these demonstrations there were great abuses and restrictions, it was also very important that the government heard the voice of people, their interests and their desires because they have historically and democratically chosen their representatives in government and it is this institution which should direct their policies towards a beneficial path for the population.

Nevertheless, despite all the ideals that have propelled this movement, experts on economic issues like Luis Enrique Alonso (2012) state that there has also been ambivalence, because they had a speech which went to a political primitivism and it has been complicated to use institutional proposals for attaining an expansion or even to sustain a welfare state in the kingdom (7). However, this has been essential when it refers to the idea of recovering it above the prevailing social financial fatalism. Further ideas among the population but particularly among young people could affect the future of social conflict at the short and medium term as new social movements have been built using ethical arguments based on mobilization, establishing communication as an important tool (Alonso 2012, 7).

The demonstrations were raised to be fair to the plight, but these can also sometimes turn into radical tendencies, which create more problems for the environment and the country. Thus, I think that when a balance is maintained between the system that drives the government, the needs of the population should be a priority to create a

social consensus in the country which would meet the needs of people without neglecting their responsibility to the actors in this scenario.

CHAPTER 4: END OF THE WELFARE STATE

After having ruled for more than two years, the views of the Spaniards on the changes in the state model which the latest government has been applying in order to placate the consequences of the crisis have not been entirely encouraging. The expectations that people had when Rajoy took over the presidency have gradually decreased, and since the end of 2013, it cannot perceive a great improvement in the social situation. For instance, public debt grew inordinately. In the first half of 2012 it had increased by 85% from the last year which showed weakness in the financial system.

Moreover, another important aspect at this time was the elimination of 15,000 million euros, around 1.5% of GDP and a decrease of 9 billion in the state budget and the increment of taxes. The percentage of evictions both of tenants and people who could not meet their mortgage obligations increased to 21 % towards the end of 2011, according to the report of the General Council of the Judiciary (El Mundo Journal 2012).

Despite these figures, we also have to recognize that some measures were taken and some treatments were applied for the recovery, although many of them were based on violations of the plans that the government had stated before taking office. Their suggestions for improvement focused on other axes and the population. It was especially those who supported the PP in elections that felt very disappointed as they noted that the party had not planned an economic strategy to bring the kingdom out of the bankruptcy in which it was when the PSOE had left power.

The idea of a relatively "happy" society without gaps obviously had disappeared. The state, whose interference provided social security and welfare, was no longer perceived as in previous years and the struggle to find protective elements was the request of most of the population (Mingo 2005, 72).

4.1 Social Consequences.

When the Spaniards had not yet managed to live in a full welfare state, that is when the decline forced to tighten and change perspectives, establishing measures in a country where unemployment and the failure of the traditional production system were latent (El País Journal 2010). With the achievement of democracy and the implementation of a new constitution, the Spanish kingdom has sought for many years to consolidate within a fair system which can provide what is necessary for its population. People who struggle to get a good future awaits a society that can cause their own to develop properly and meet their essential needs.

However, the social consequences of the crisis are large and have been partly generated by the policies implemented by both governments because people demanded more attention to their basic needs without them being covered. From the beginning of the decline, but especially from 2010, inequality has increased and we have seen that the austerity measures have failed to decisively contribute to the environment that it should have fostered (Cruces, Aguilera and others 2013, 3).

The structural inequality that has characterized Spain and the economic stagnation that has worsened in recent years have limited its development. From the new constitution on the one hand, progress was made in some aspects such as living conditions with services and some benefits, however there has remained the lack of development of the social state which relates both to the impact of social measures and the proportion of a social protection model (Vincent Navarro cited in Cruces, Aguilera and others 2013). Some of the direct consequences of the crisis were related to the policies initiated by the executive. The increase in unemployment, the reduction of social spending and impoverishment that, by the end of 2013, which is far from disappearing, have been some elements that exemplify this situation (Cruces, Aguilera and others 2013, 4).

On the other hand, neither cannot detract from the work that the government has been doing for 30 years with significant improvements in the levels of welfare as there is no doubt that the democratic period that began in the mid-seventies framed a time of prosperity for people and the society (Cruces, Aguilera and others 2013, 4).

However, during this period, the supply of the country has been characterized by a very low productivity. Minimum wages have allowed companies to use the resource of labor instead of machinery, which to some extent had allowed the space to not deprive people of their jobs.

With these elements, the housing bubble also generated the construction industry which was much more profitable for capital than other sectors with more productivity such as the technological. This encourages this model with some tax advantages or soil liberalizations. Also, tied to the construction industry was tourism, with the vast building of departments in resort areas constituted as part of financial speculation both models mutually reinforced (Alabort, Buendía and others 2009, 19).

Another important aspect has been the entry of Spain into the euro area which has limited the power of currency devaluation when the country faced a crisis. This was the only way to stay competitive abroad implanting the system of low wages. While in the years preceding the crisis it was a valuable economic growth, this did not allow productivity to rise. The strategy of low power did not help Spain and domestic consumption failed to be the engine of the economy (Alabort, Buendía and others 2009, 21).

Also, some experts in these matters say that another factor to consider is inflation because in recent years, prices have risen because of higher oil and food, Spain being a country dependent on these resources. Also, we can add the role played by major Spanish companies to have a significant market power by raising prices because of the lack of competition (Alabort, Buendía and others 2009, 21).

Another reason is that recessions under capitalism are the result of common cycles of operation. These are cyclical dynamics which generate periodic crises (Alabort, Buendía and others 2009, 23). Thus, this is evidence that both internal factors such as the construction sector and macro elements such as the subprime mortgage crisis led the Spanish economy into recession.

We can see that the state model developed in Spain has grown greatly in recent times. Among people looking for a system of improvement, much has been spoken

since the crisis began and, despite the widespread discontent, has not yet had a substantial change. In addition, the decrease in social protection has brought uncertainty for people and the prospects for a more stable future are two edges that contrast directly but which in turn are closely linked in this area, where the difficult process enclose out of the slump or settle deeper into the abyss (El País Journal 2013).

4.2 Towards the end of the Spanish Welfare State? Analysis

Much has been said during this process on the different measures and situations in which it have been developed during the decline and the options implemented both, by the Conservative government and the socialist government for restructuring the system after years of situations that culminated in the bursting of the financial bubble and its rapid expansion. However, the most difficult to analyze at this time is if the Spanish company will have enough resources to deal and overcome this difficult phase, or whether what everyone has feared for the duration of the crisis will happen: the welfare state, which has been the goal of the Spanish leaders since democracy has come to an end. This I will discuss according different points of view.

First, to establish if the welfare state is still sustainable and has not reached its decline requires taking into account some elements. We need to know the numbers of social spending by government, including health, pensions among other things and Spain is below the average for countries with the same type of expenditure in the region (Herrero 2013). Also, it is important to mention that we are in a globalized world so we should refer to the country's position with its European neighbors, because with this we can achieve a broader view of the international environment.

On the other hand, with reports of Eurostat 2010, issues such as unemployment were badly affected. However, before the decline, when the boom came to achieve a very high brilliance, the Spanish public spending was lower than other countries, which shows that what Spain has been perceived as relatively stable. What was seen as the welfare state in all these years has been somewhat limited (Herrero 2013).

According to Antón (2010), the welfare state has decreased its distributive share, the economic needs have split the wealthy classes and have plunged into poverty the most disadvantaged. In addition, with the new dynamics of society it has created the dilemma of thinking of a new structure of the social model with resumption and deepening of leftist and progressive ideas. All this was so democracy could establish an advanced welfare state, without social exclusion, strengthening social rights and especially improving the most important services (Antón 2010).

However, all these attempts have not led to a consolidation of the welfare state in the country. The progress made on relevant issues such as health and education still have some weaknesses limiting the satisfaction sought by the population (Berzosa 2013). Similarly, it is said that the most important point of development that was being generated stalled due to many factors such as the country's own internal causes and externally, the global environment, so other support mechanisms are required to achieve an improvement in Spanish society.

4.2.1 Other perspectives.

Although the concept of the WS has entered into a step of fragmentation, some experts believe that the economy has few opportunities to restore its status. Juan Santamaría, rejects that Europe is immersed in a total decline. He believes that the causes may be situational, and what is at stake is the sustainability of this condition (Lago 2013).

Likewise, a Professor at the University of Vigo, Baltasar Manzano argues that with the restructuring of public expenditure and revenue arising from the financial system and the stagnation of productivity, it has provoked a redesign of the welfare state, which according to him is related to a normal economic cycle that occurs, rather than being a provision that will extend to the long-term (Lago 2013). With this we can refine the scope of economic decline as we can see a future of possibilities in which the Spanish State may not finally lose the status that it had achieved over the years of democracy.

While in general terms in 2013 the economy showed an improvement in many issues such as the deficit falling by 6.6% and being nearly balanced with the purposes that have been established in various agreements with the EU, nor could the government remain very quiet with this resolution (Conde and Rubio 2014). Although there was still a problem of public revenues in that year and still a need to reverse the situation immediately, the pressure that the government has had seems to be enough to contribute to this circumstance. It is also very clear that if revenues do not increase it will be necessary to dismantle the welfare programs (Conde and Rubio 2014).

In addition, Manzano argues that the crisis has given awareness of the limits of the resources that are available to the States. He suggests that citizens should be realistic in the knowledge of what the state must do to benefit its people and recovering the individual awareness as to the requirements that people ask of the governments (Lago 2013). However, I think this should not relieve the State of its responsibility for trying to provide a balanced society, with equal opportunities for people.

Furthermore, the author finds that the State after a recovery will be different. It will no longer have the same parameters in its environment since everything changes in society, but when the economy begins to show improvement in its footsteps, this should also optimize its performance so that the welfare state in the country may be able to have a more productive model focusing efforts on the implementation and development of knowledge, entrepreneurship and education at all levels (Lago 2013).

Nevertheless, there are conflicting views on the current system of Spanish welfare which has been based only on credit and debt, but not in the wealth generated by the State. According to Morillo (2012) the main problem of the Spanish economy is the unwavering shortfall since no more resources that are entered are spent so the state cannot deal with payments of liabilities with the same assets of the country. This is something that great economists like Krugman would like to apply and settle debts without more spending and borrowing.

In addition, Emilia Vázquez, dean of the Faculty of Economics of the University of Santiago said that it has largely lost quality in public services; she estimates that the

WS which was aimed for Spain is far away. According to her analysis the fate of this condition is in the hands of citizens and it makes sense that they want to have a decent life, but it will be also necessary to regain employment, because unemployment is one of the main problems and with social cuts it has not been stopped yet (Lago 2012).

But for Luis Caramés, difficult crises are always surmountable, although this is perhaps particularly longer. The trend is routed that in 20 years it will recover the economic levels attained until 2007, however, according to his view it is not the only recession that will affect Spain (Lago, 2012). This time is too long to tell that welfare had been achieved, but the recovery will be slow according to this expert, although it will be necessary to know if the levels will convince people again.

With the diverse opinions argued by some economists, and experts in economic topics, we can say that the model of state that Spain had consolidated throughout many years, with measures towards the welfare, did not keep during this period. This affected the recovery of the system because it was not be as easy as people thought. When hard problems occur, as those we have seen during the recession, we can understand that in spite of strong policies and new mechanisms of help and implementation of a new environment, it cannot be solved with a fast change. However, proposals towards the resurgence of the economy can be generated and this would allow an improvement in the social scenario.

I consider that Spain, with the new mechanisms applied by the government and the contributions of the European Union, will solve again the difficult paths that undoubtedly it will have to face. Furthermore, in order to achieve this it will be necessary to regain confidence in the markets and economy, generating a basis for the system's sustainability, this being possible through the push towards investment, which would give credibility, increasing the economic activity and reducing the public deficit in the country (CEOE 2013, 8). This, will be consolidated step by step, because undoubtedly after a crisis the lack of confidence it is still latent, although is not impossible of overcome.

The road will be long. Employment, health, and education, which are the main support in a developed society, should be optimized so that welfare for the population could be generated with the purpose that people can live in the best conditions, and the welfare state return still benefiting the Spaniards. All this, with help of the European Central Bank in order to obtain a major coordination, integration and dynamism in the economic activity, driving the investment and rentable for the future.

CONCLUSIONS AND RECOMMENDATIONS

After completing the analysis of the financial and economic crisis in Spain, first, we can conclude that the most representative political parties which the Spanish government has had in the last 30 years established great interference with the management of this. During the beginning of the decline, both the PP, the current government party with President Mariano Rajoy and the PSOE with José Luis Rodríguez Zapatero have consolidated an important role in the implementation of specific mechanisms to counteract its scope.

The graveness of the measures initially established when the result of austerity was imminent for an impaired financial system, and had a direct impact on Spanish society that craved the continuity of a welfare state that it had consolidated long ago, and which kept the country in a place somewhat privileged. However, hard events such as unemployment increasing from 9% in 2005 to 22% in 2011 and the housing slump were crucial to the attempt of governments and institutions like the EU to reverse the situation.

Some of the measures such as: the application of expansive fiscal policies of economic help designated to the private consumer and public investment to restore jobs, point to a housing recovery which made the EU have a major role in the management that was given to the crisis in the country and which therefore, sought to appease the great stagnation of Spanish society. Furthermore, in 2009 it was established that financial markets could not regulate themselves, as has been classically the essence of the capitalist model, and there came a proposal to control excessive pay of leaders of financial institutions and the elites of society in order to initiate an impulse toward society which saw its revenues were declining.

Other items that this organism applied at the time of the decline were the intervention and injection of public money in financial institutions with lending, and funds to acquire assets and the acquisition of securities debt in the Spanish government promoting a national plan of recapitalization which was equivalent to more than 2% of the GDP of the region.

On the other hand, despite criticism from people about the management that the PSOE established during the crisis, during this period it also contributed with some plans that sought to placate their progress. Thus, Rodríguez Zapatero implemented a stimulus package of 12,000 million euros, which however did not allow balancing the difficult process of borrowing that Spanish banks kept and it affected the citizens and the economy. Moreover, the government provided a guarantee to the construction industry which aimed at reducing taxes to help activate the relocation of the unemployed in this sector. However, at the same time, in 2009 the State decided to increase VAT which had an impact on all trade and investment in the country.

With the contradiction of socialist discourse, the PSOE kept trying to establish that its measures took effect. Thus, it made a cut of 15,000 million euros between 2010 and 2011 and other items that affected much public investment. Other issues such as the baby check, the situation of pensioners and many social projects had to be limited in this moment and unfortunately unemployment rates as well could not recover yet.

While some of these measures proved to be less effective in reducing problems, I think they should have immediately realized that all was not well in the financial system, but not avoid acknowledging the undoubted collapse that was part of the country. However, overreliance on granting housing loans to citizens to maintain the illusion of a society fully developed and "without gaps" collided strongly when this recession occurred and lasted for several years.

As a new alternative we have seen how the government of Mariano Rajoy in 2011 tried to reverse the damage that the society had endured for several years. But to be in the same situation as the previous government, situations such as welfare cuts, and the implementation of drastic cut in pensions to the retired called into question a lot their proposals, especially affecting vulnerable groups. With these precepts we noticed how large demonstrations and protests arose, with some social groups such as the "Indignados" playing a transcendental role in this process to demand their basic rights.

Situations such as layoffs, reduction of benefits, social unrest, residential eviction for nonpayment of mortgages, widespread unemployment for the population, lack of

opportunities for young graduates, make us think a lot about the chain of events that took place to get to this decline. Not only were the policies of governments who were in command of the country or decisions brought by the EU which influenced and contributed to the stalemate. Nor, as we have discussed, have there been recent external causes such as a reflection of the crisis in the US or older one such as the oil crisis in the past decade. This crisis has grown as part of a set of actions and situations that arrived a long time ago and are also part of the natural process of capitalism.

There is no doubt that the mechanisms established by active stakeholders in this crisis and experts who have predicted that the system may be recovered gradually until the end of 2013, that was analyzed in this study were not entirely removed from reality. According to the International Monetary Fund, after the first half of 2014, Spain has gained an impulse and the financial system is recovering, allowing gains of confidence that hopefully will continue to influence positively in this year and next year. The optimism of the Spanish government, the Business Barometer this year and some experts in economics suggests that the decline is going to soften.

However, the Spanish State should be cautious in their predictions and will still have a long way to go for the financial system's return and recovery, offering the benefits that a welfare state grants and preventing it from falling back into a crisis like the present one for over six years, where social consequences were much more than just a blow to all Spanish citizens.

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