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Rising Inequalities and Political Cleavages in Spain

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Overview

This brief looks back at the co-evolution of inequalities and political cleavages in Spain from the 1980s until today, in the context of the upcoming 2019 general election. After two decades of broadly inclusive growth, the economic crisis brought about a new period of stagnation, fiscal austerity, growing poverty and rising income and wealth disparities from which the country has still to recover. Paradoxically, these changes have not come with enhanced class-based divides or greater demands for redistribution. Spanish democracy is, on the contrary, defined by historical and rising identity-based conflicts, which are now at the core of political competition in a number of Western countries. In Spain, these divides have focused essentially on regional autonomy and corruption, two issues which are widely discussed in public debates. This stands in contrast to the lower coverage of unemployment, which is still considered as the most important problem by a majority of Spanish citizens, especially by those who were most affected by the crisis.

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Introduction

On Sunday, the 28th of April, Spain will go to the polls to renew its national parliament and its Senate for the third time in four years. More than a decade on since the global recession struck the country, the "crisis" is still being felt across the population in multiple ways. None more so than economically, where material living standards have yet to recuperate their pre-crisis levels. The unemployment rate, consistently ranked the number one problem among Spaniards according to the *Centro de Investigaciones Sociológicas* (CIS), is still more than twice the European average, standing at 15% in 2018 (Eurostat), while poverty and inequality have taken a sharp upward trend since 2007 with little signs of reversal.

Politically, the country is also at the most fractured period in its recent history with issues such as corruption and regional separatist tensions dominating the headlines, and an electorate increasingly divided across the political spectrum. Political support for the traditional parties has plummeted amid the rise of new political formations such as *Ciudadanos* and *Podemos*. This article documents the rise in inequality and poverty since the onset of the crisis, as well as the trends in political-party support across personal socio-economic characteristics, in order to contextualise the current political divisions in the country before the upcoming general election.

Rising inequality after two decades of progress

Over the last two decades the Spanish economy experienced a dramatic business cycle defined by a large construction-based boom, followed by a financial bust. A doubling of unemployment resulted in the space of a few years, while income and wealth inequality widened. This contrasts with the gradual reduction in income and wealth gaps in the prior two decades. Figure 1 shows the evolution of income and wealth shares for the top 10% and bottom 50% of the income and wealth distributions, respectively over the period 1985-2016. The gap between the richest 10% and poorest 50% in income and wealth has been increasing since the mid-2000s, and has widened further during the crisis years after 2008. This is consistent with a larger share of unemployment and indebtedness among individuals within bottom groups –many of which are young (20-39)– and the better portfolio diversification of individuals within top groups.

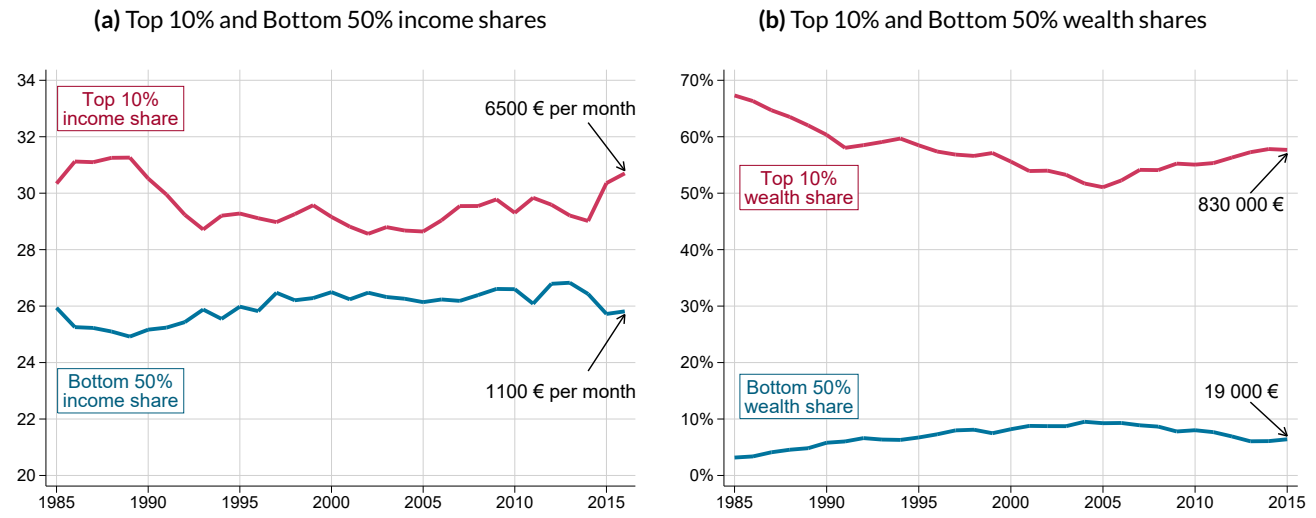
Top 10% Spanish wealth holders own close to 60% of personal wealth.

Thus, inequalities in Spain remain important. The average monthly pre-tax income of bottom 50% earners reaches 1,100 euros in 2016, compared to 6,500 euros for the upper decile. Redistribution *via* taxes and transfers does contribute to reduce income disparities, but only marginally, increasing the average income of the bottom half by some 150 euros. Wealth inequalities are substantially more pronounced, as it is common is the rest of countries. Top 10% wealthiest citizens own close to 60% of total personal wealth in 2015, with an average wealth above 800,000 euros. By contrast, the total net worth of the bottom 50% is below 20,000 euros.

Unequal growth and rising poverty since the crisis

2007 was the year in which Spain registered its lowest unemployment rate (8.2%) since Eurostat records began in the 1980s. By this year real average national income per adult had grown tremendously, 22% in the prior decade (1996-2007), and 26% in the previous one (1986-1996). This growth, especially in the first period, allowed for the gap between rich and poor to be reduced substantially (see Figure 1). However, the economic recession following 2007 widened inequality due to the large differences in income growth rates experienced across the distribution. By 2017, average income had for the first year surpassed its 2007 peak, registering a 3% growth, but this was largely captured by the top of the income distribution. Figure 2.a shows that while incomes of the top 1% grew by 24%, including those of the top 0.1% (percentile 99.9) expanding by almost 70%, the bottom 90% experienced below-average growth of

Figure 1. Income and wealth inequality in Spain, 1985-2016



Source: Blanchet et al. (2019) for panel (a) and Martínez-Toledano (2019) for panel (b). Income corresponds to pre-tax income, split equally among adult members of the household. Wealth includes net housing, unincorporated business assets and financial assets (equities, fixed income assets (mainly bonds), saving and current deposits, currency, life insurance reserves, pension and investment funds). Wealth shares are constructed by capitalizing taxable income and accounting for the assets that do not generate taxable income (main residence (1999-2013), life insurance, pension and investment funds) with the Survey of Household Finances. The unit of analysis is the adult individual (+20), excluding the regions of Basque Country and Navarre since they do not belong to the Common Fiscal Regime and hence, they are not included in the personal income tax samples.

their income at 2%.

At the same time the number of Spaniards at risk of poverty increased markedly since the crisis. Today, over a fifth of adults are earning less than 60% of median income (see Figure 2.b). This goes in line with the larger reduction in nominal wages than in commodity and asset prices, the increase in unemployment, indebtedness and also with the strong austerity measures implemented by successive governments from 2011 onwards, which disproportionally affected the most modest households. The question is whether and how these changes manifest themselves in the political sphere.

Between 2007 and 2017, the average income of the bottom 90% stagnated, while that of the top 1% grew by 24%.

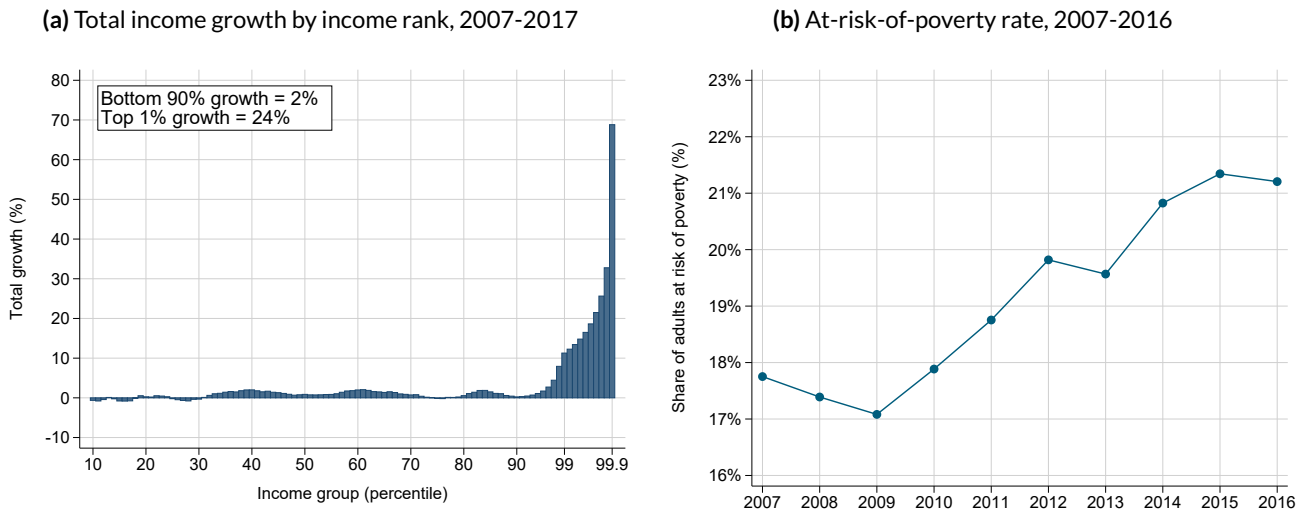
The de-polarization of class-based politics

One might expect that the above trends in inequality and poverty would give rise to class cleavages along socio-economic lines. In other words, that the electorate would become increasingly polarised according to economic position and the evolution of material living standards, and vote for parties perceived to progressively redistribute income and wealth more effectively. Contrary to these expectations, what we find in Spain (from an analysis based on post-electoral surveys from the CIS), is that politics is becoming increasingly *less* polarized on class lines, meaning that the poor and the less formally-educated have a lower tendency to vote for political options historically associated to their betterment (i.e. left-wing parties). This de-polarization of class-based politics has also happened in the most advanced countries.[1]

Figure 3 depicts the evolution of support for left-wing

[1]This has not been the case in less-developed countries, such as Brazil, where sharp class-based divisions persist (see Gethin and Morgan, 2018.

Figure 2. Distribution of growth and poverty in Spain, 2007-2017



Source: Blanchet et al. (2019) for panel (a) and authors' computations using the European Union Statistics on Income and Living Conditions (EU-SILC) for panel (b). Income is split equally among adult members of the household. The at-risk-of-poverty rate is defined as the share of adults earning less than 60% of median post-tax income.

parties in Spain across periods by income and education. Both income and education seem to matter less and less in explaining left-right choices. While in the 1980s, the income-poor and the less-educated were more likely to vote for the left (by up to 8 percentage points), in recent years they are much less likely to do so. In the case of the less-educated (those with only primary level education), they are more likely to vote for the right. As in other developed democracies, the higher educated have been gradually turning to the left (Gethin et al., 2019).[2]

The centrality of identity-based politics and the regional question

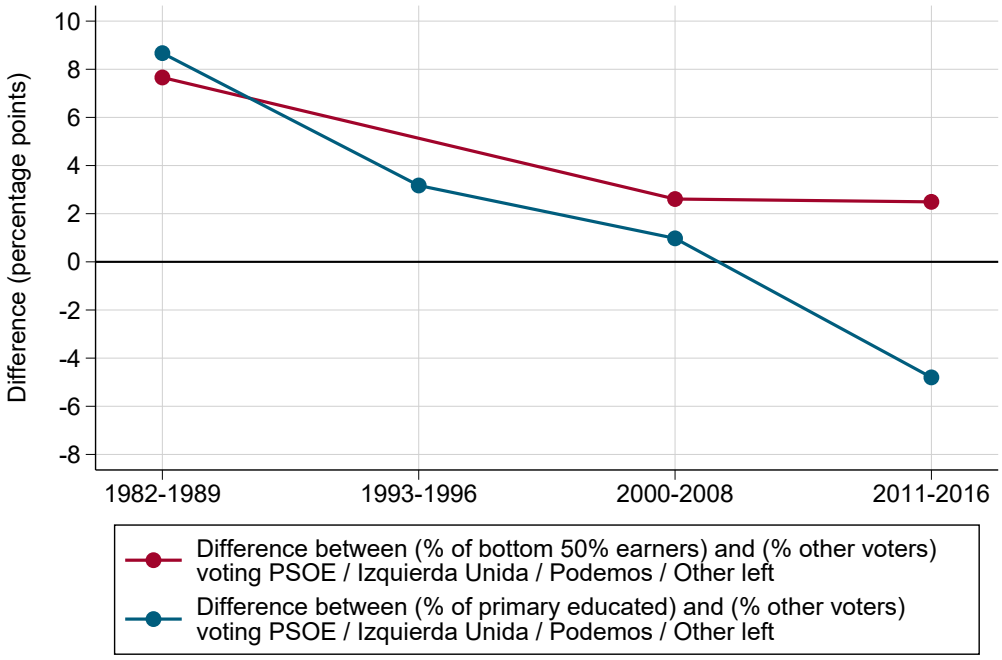
The political conflict we witness in Spain, as in other developed countries, is much more about identity. The particularity of Spain is the strong regional aspect of this identity conflict. The northeast and the rest of the country have been increasingly diverging on many issues in recent years. This is especially the case for preferred models of state organisation. This is a complex phenomenon, but not a new one in Spain – it is centuries old. Although currently it is not a primary "problem" for most Spaniards, nor for their perception of what politicians are debating (up to 2016, according to the CIS), it has increasingly become an issue in the media, most notably due to the political stalemate in Catalonia.

Figure 4 shows the structure of support for greater regional autonomy or independence in Spain and Catalonia in 2008, 2011 and 2016. Citizens' support for regional autonomy or independence has remained broadly stable since 2008, and varies importantly across social groups. The more affluent citizens are the most likely to support greater autonomy/independence, as are the more educated (those with university degrees), with support reaching 30% in both these groups in 2016. These shares are driven by support

Support for regional autonomy or independence has been concentrated among higher educated and richer Spanish citizens.

[2]The emergence of the party *Podemos* in 2015 and its large vote share emphasised certain dynamics on the left. Support for *Podemos* in 2016 was slightly stronger among higher educated. Their supporters are slightly younger, strongly more likely to have no religion, more left-wing, and more likely to be un-married. In general, left-wing voters are more educated, slightly younger, strongly not religious, single, and identify with the working class. In 2016, income, employment status, gender, and rural-urban divide did not have significant effects on the left-right axis.

Figure 3. Evolution of support for left-wing parties in Spain by income and education



Source: Gethin et al. (2019) using post-electoral surveys elaborated by *Centro de Investigaciones Sociológicas*. *Interpretation*: low-income and primary educated voters have become less and less likely to support left-wing parties relative to right-wing parties. In the 2011, 2015 and 2016, primary educated voters were on average less likely to support left parties by 5 percentage points.

rates in Catalonia (panels (c) and (d)), where around 60% of the electorate of this region favoured more autonomy or the choice of independence in total in 2016. This reaches 70-80% for top 10% income earners and university graduates.[3] The northeast regions (Basque country, Navarre and Catalonia) are among the richest in the country, with the most diversified economies, whose residents have experienced on average the least economic hardship relative to residents in other regions.

Yet, the regional cleavage goes beyond a simple opposition between richer and poorer regions. Even among regions in favour of greater autonomy, there are differences between social classes, as richer and more educated residents *within* Catalonia (and the Basque country) are strongly more supportive of independence or greater autonomy than poorer and less educated residents living in these same regions.[4] This tendency is consistent with the average high-income earner and highly educated individual to want their region to keep fiscal receipts for regional uses rather than redistribute to the rest of Spain. In the case of Catalans, where the support for greater autonomy/independence from the top is greatest, their motivation could come from the desire to be at least like the Basques (the region, alongside Navarre, that has independence over its fiscal affairs), and thus vote for less fiscal solidarity with other regions.[5]

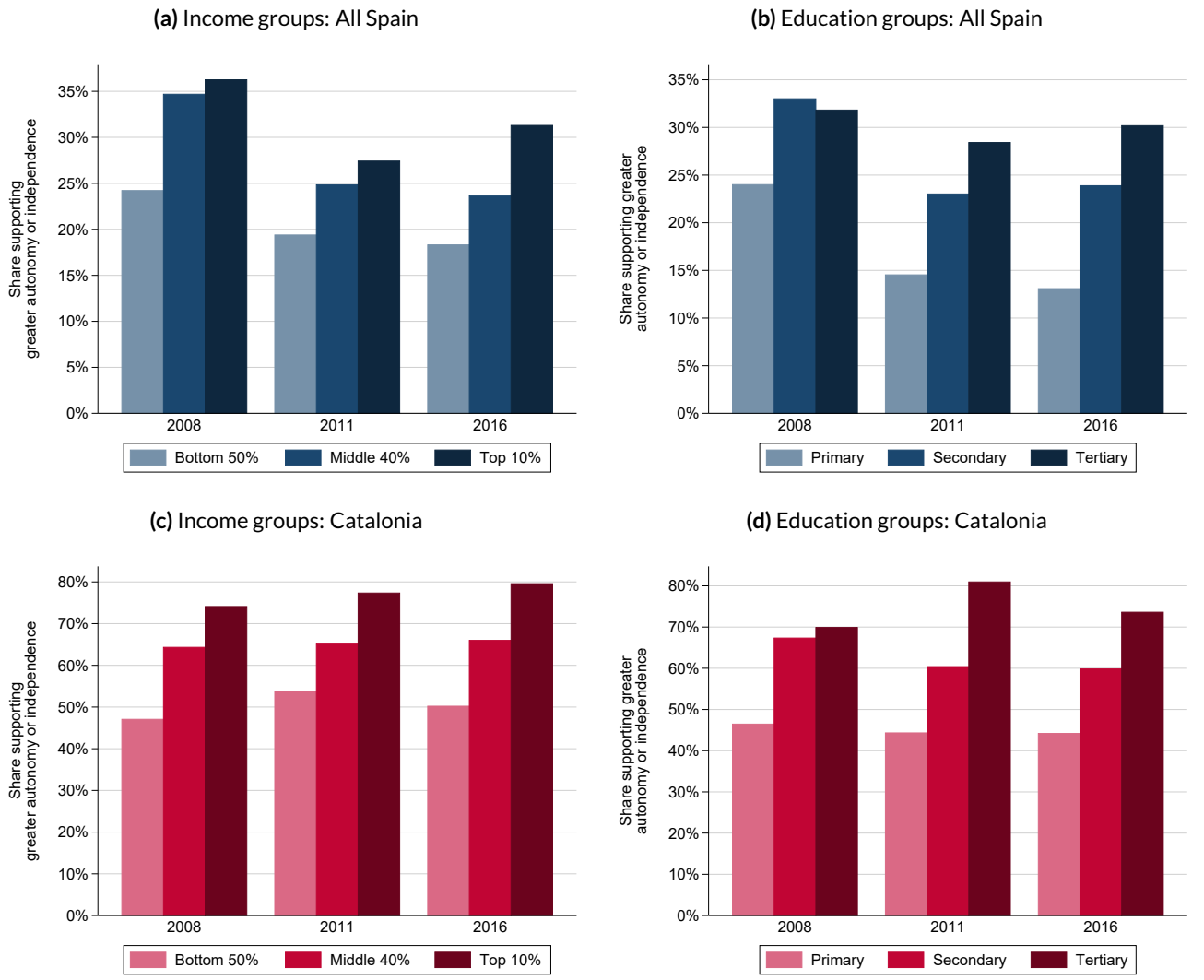
The paradox in this scenario is that a strong identity-

[3] Support for greater autonomy/independence is highest in the aggregate in the Basque country, with over 60% support. The region of Navarre is next with just under 45% support, while in the remaining 14 regions the share is below 30% – from 28% in the Balearic islands, to 3% in Murcia. In Madrid the rate is around 17%.

[4] In the Basque country the support for greater autonomy or independence has decreased from about 65% for the bottom 50% of income earners, 70% for the middle 40%, and 80% for the top 10% in 2008, to 50%, 60% and 70%, for the respective groups in 2016. The figures for the three education groups are broadly similar.

[5] According to data from the 2016 CIS, the top 10% income earners and highly-educated voters in Catalonia have a higher preference for regionalist pro-independence parties on the right (CDC) and even more so on the left (ERC), compared to the full population.

Figure 4. Support for greater regional autonomy/independence across income and education groups



Source: Gethin et al. (2019) using post-electoral surveys elaborated by *Centro de Investigaciones Sociológicas*. The surveys ask respondents whether they would like regions in Spain to have more autonomy, or should have the right to become independent nations, as opposed to the current levels of autonomy, less autonomy and no autonomy (centralized state).

based (regional) political conflict coexists with unemployment consistently being ranked the most important risk by Spaniards in opinion polls (ahead of corruption, Catalan independence, immigration, etc.). How can this be reconciled?

In part, economic reality is being passed over by the focus on corruption and issues relating to regional autonomy in the political debate and in the media. This adds to a significant share of citizens feeling left behind, which contributes to a growing abandonment from politics and growing rejection of traditional parties. While different individuals have different opinions about issue importance, it seems that the issues that are paid most attention to are those that worry the more affluent citizens the most (regional question, corruption).

According to the 2016 CIS survey, close to 60% of the electorate considered unemployment to be the country's most important problem (compared to 17% for corruption, in second place). However, only 7% of people thought that unemployment was the most

debated issue by parties/candidates in the electoral campaign (compared to corruption, which was perceived to be the most debated by the electorate). Given that the bottom 50% of income earners account for 90% of the unemployed population (less than 20% of the bottom 50% is employed, compared to almost 80% of the top 10%), and given that they are concentrated in regions with less support for greater autonomy/independence, economic well-being seems to be fuelling regional divisions, with growing political ramifications.

In 2016, close to 60% of the electorate considered unemployment to be the most important problem, but only 7% thought that it was the most debated issue.

Conclusion: challenges for the 2019 Spanish election

Social problems find fertile ground where economic frustration is ripe and where the underlying causes of such frustration are not attended to. In Spain, the economy has not worked inclusively for the majority of the population. At the same time identity-based issues have unravelled. The real challenge of the upcoming election is whether political representatives will make a connection between economic hardship and socio-regional tensions.

About the authors

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The World Inequality Lab

The World Inequality Lab aims to promote research on global inequality dynamics. Its core mission is to maintain and expand the World Inequality Database. It also produces inequality reports and working papers addressing substantive and methodological issues. The Lab regroups about twenty research fellows, research assistants and project officers based at the Paris School of Economics. It is supervised by an executive committee composed of 5 co-directors. The World Inequality Lab works in close coordination with the large international network (over one hundred researchers covering nearly seventy countries) contributing to the database.

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