

IDEAS demonstrates with figures that the PSOE assigns tax revenues to investment in social policies and productive investment, while the PP reduces taxes to downplay the public sector

The Foundation linked to the PSOE has published the document “Face to face in economy: the weaknesses of the PP and the strengths of the PSOE”, to compare the economic models of the PP and the PSOE and to deconstruct the cliché according to which the right manages better the economy than the left

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The IDEAS Foundation has released this morning the policy paper entitled “Face to face in economy: the weaknesses of the PP and the strengths of the PSOE” in which, after comparing the policies of the PP and the PSOE during their last terms in office, draws two conclusions: first, it is not true to affirm that the right manages the economy better than the left, and second, the left increases tax incomes to invest more in fiscal policies and productive investment, while the right prefers to reduce taxes although this means downplaying the public sector and weaken social benefits.

The document, which was released at an event of the election campaign of the candidate Alfredo Pérez Rubalcaba, starts with the analysis of the economic management of the PP till 2004, which was characterized by a real estate boom originated in the Building Code of 1998, an economic growth of the GDP and employment creation without increasing productivity and a high and systemic deficit of the Spanish economy which has generated a great problem due to the liquidity restrictions on the international market.

The PP did not take advantage of the years of international economic bonanza to redistribute the wealth among the whole population in such a way that, in eight years, salaries and minimum pensions hardly increases, there was an abandonment of the recognition of new citizens’ rights (the elderly, women and free-lancers) and the Welfare State was weakened.

So, a comparison between the achievements of both parties show relevant data on how, despite the PP was enjoying a period of buoyant economic situation greater than that of the PSOE, job creation was higher during the socialist period (3 million compared to 2.5 million, 18.1 million people working according to data from the Working Population Census of the third quarter of 2001, 17.9 million Working Population Census, First Quarter 2004). Temporality also decreased and productivity increased thanks to the commitment of the Socialist government to the renovation of the production fabric. In fact, as the document says, with the PP investment in R&D&I was 2.987 billion Euros in 2004, which with the PSOE reached 8.088 billion in 2011.

Likewise, in the social field, with the Government of the PSOE, the expenditure on social policies increased from 49% in 2004 to 58% in 2011. And, also with the PSOE the Minimum Wage increased by 40%, from 461 to 641 Euros and the minimum pensions, which were at 51%, increased from 492 to 742 Euro. Equally, the number of employed women increased almost half a million, going from 6.8 to 8.1 millions to account for 45% of the employed population in 2011 (39% in 2004).

The paper also analyses the economic management of the PP in energy and environment. So, between 1996 and 2004, there was a deterioration of the Spanish coastline due to the real estate boom, the energy dependency rate reached its maximum value, 79% and investment in renewable energies was scarce.

As regards the PSOE, it believes in the importance of preservation, the sustainable use of the natural resources and the fight against climate so it has given the priority to a sustainable model. The data is very significant: while during the 1996-2004 period the CO₂ emissions increased by 31.4%, during the period of the Socialist Government, they decreased by 11.4%.

As refers to the proposals in the field of economy from both parties in their respective electoral manifesto, there are also significant differences. The PSOE emphasizes the immediate recovery of employment and the reduction of the deficit and, in the mid and long terms, on the

improvement of productivity and the diversification of our production structure.

For this, among other measures Rubalcaba referred to today, he expressed his commitment to promote an Agreement for Employment together with the other administrations, to approve a Law to Foster Business, to promote at least 10 sectoral plans for the industries of the future and the renovation of the traditional sectors and to finance all these activities of economic recovery through the selective review of the tax system, which will include a new tax on great fortunes, the increase of taxation on ICVC and the creation of an Anti-Fraud Office.

While, the PP merely stands up for returning to the economic model of 1996, an austerity plan with no specifications about which items to cut down from public expenditure, a labor reform to simplify contracts, reduce unemployment benefits and SMEs workers rights as well as a financial reform to remove banks toxic assets and group them in a “bad bank” financed by tax payers.

In conclusion, the paper proves that the PP does not manage the economy better than the PSOE, that their economic policies are different and while the left uses fiscal policy to invest more in social policies and productive investment, the right prefers to reduce taxes at the expenses of weakening social benefits and downplay the presence of the public sector in the economy.

The paper was released during the event on “A new economic policy for Spain and Europe” with the participation of the candidate of the PSOE to the Spanish Presidency, Alfredo Pérez Rubalcaba, together with his campaign manager, Elena Valenciano, and the economist and member of the Scientific Committee of the IDEAS, Emilio Ontiveros.