Economic Crisis Threatens Democracy in Spain

Spain is a major player in the global economy. It is the 10th largest economy in the world and the 4th largest economy in the 16-nation European Union (EU). However, Spain is in a long and deep recession. With its Gross Domestic Product (GDP) falling 3.7 percent in 2009 and 0.2 percent in 2010, the International Monetary Fund (IMF) forecasts no real growth in spite of a slow recovery in early 2011.

Barring an economic bailout of immense proportions, the economy of Spain is doomed to fail for the following reasons:

- Two consecutive years of negative growth
- Depression-like unemployment rate
- Accumulating budgetary deficit
- Mounting national and external debt
- Downgrading credit worthiness
- Rising foreign-trade deficit
- Stringent regulations and costly “green economy”
- Harsh austerity measures for economic stability
- Frequent labor strikes and protests
Economists warn that the looming bankruptcy of Spain will cause a shockwave around the globe. Indeed, they assert that Spain’s default of its debt would ultimately lead to the breakup of the euro-zone and the EU itself. They urge the EU and IMF to step in with a bailout package estimated at 480 billion euro.

To describe what Spain’s economic crisis would mean, the EU Commission President, Jose Manuel Barroso, warned that Spain’s fragile democracy is in danger of military coup or popular uprising unless urgent actions are taken to tackle its alarming economic crisis. Moreover, disintegration of the Spanish democracy could spillover to equally fragile democracies of Greece and Portugal, each struggling with its own economic crisis and social unrest.¹

Source:

Groves, J., “Nightmare Vision for Europe as EU Chief Warns “Democracy Could Disappear” in Greece, Spain and Portugal,” *Mail Online*, June 15, 2010

Snyder, M., “9 Reasons Spain is a Dead Economy Walking,” *Business Insider*, June 15, 2010

¹ General Franco ruled Spain with an iron hand until 1975; Georgios Papadopoulos led a military junta until 1973; and Antonio de Oliveira Salazar ruled as Portuguese president until 1968.