

Spain: four party politics

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Summary

At the end of 2015 the Spanish government of Mariano Rajoy will face re-election. Andalusia's regional elections last week provided further evidence that this will not be a two, but rather a four party contest. Rajoy's government already faces a big problem of converting a creditable economic record into electoral success and encouraging abstaining Partido Popular voters back to the polls in November. The emergence of a new centrist challenger compounds this problem. This has interesting and important implications for the formation of the next Spanish governments and reflects a wider European drift in the authority of European mainstream parties - even when they are able to deliver economic growth.

At the end of 2015 the Spanish government of Mariano Rajoy will face re-election. Unlike any Spanish national election in a generation the November election will not be a two party contest. The four national opinion polls conducted in March displayed a party system that is now decisively a four party one, with no party commanding much more than a quarter of the vote, and on average, only 5 points separating the first and fourth-most popular parties. Andalusia's regional elections last week was the first evidence of this new political mood in practice and it has interesting and important implications for the formation of the next Spanish government.

Since 2010 Rajoy's Partido Popular government has implemented a programme of significant labour market reform and sharp spending contraction,

alongside a large-scale rescue of the Spanish banking system. They have been rewarded with improved wage competitiveness, rising exports, rising domestic demand and a fiscal deficit that has fallen from over 11% of GDP to a projected 5.7% in 2015. In the first quarter this year the Bank of Spain is forecasting the economy will expand by 0.8%, and is projected to grow 2.8% in 2015. Most importantly, not least from an electoral point of view, Spanish adult unemployment has begun to fall, from 27% at its peak in 2013 to 23.7% in the final quarter last year. This is on balance, the best growth performance of any large Eurozone state and the PP will understandably hope to convert that performance into electoral support and a strong result in November. The Andalusian regional elections highlighted a number of important reasons why it is unlikely to be that simple.

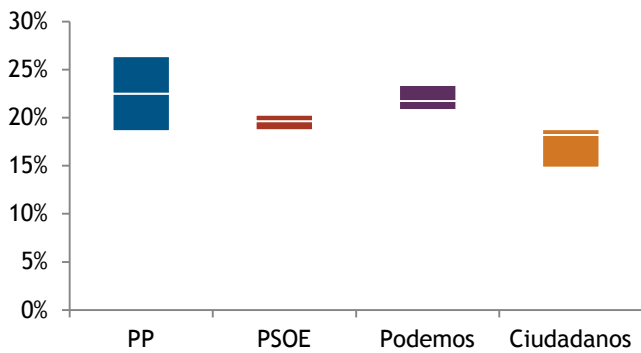


Fig 1: Polling ranges of Spanish political parties, March 2015
 Source: Metroscopia, MyWord, Simple Logica, Invyemark (showing median)

Left and centre

The poll was widely and rightly seen as an important test of the electoral potential of Podemos, the left-wing challenger that emerged in 2014 and which has been widely expected to take momentum from SYRIZA's win in Greece. As a PSOE stronghold for more than thirty years, Andalusia was an interesting test of how far the left wing insurgent could displace the dense local patronage networks of the socialist incumbent. As expected, the Andalusian PSOE - under the leadership of President Susana Díaz - was the clear winner, but in terms of vote share this was the PSOE's worst ever result in an Andalusian regional election. The PSOE took 35% of the vote and held steady despite a strong Podemos challenge, which took large numbers of votes from the other left-wing alternative, the United Left (IU). Podemos somewhat underperformed compared to the polls, but for a new political force to obtain 15% of the vote in its first real electoral test for domestic government is nevertheless significant.

The PSOE will know very well that holding off Podemos in a region where almost every town has a branch of the PSOE was an easier task than it is likely to be at the national level. Moreover, the election continued a clear [trend of disrupting the PP-PSOE duopoly](#) in Spanish politics. The combined share of the vote for the two main parties in the region has fallen from 80% to 62%, and national opinion polls replicate this. The big loser from this fragmentation in Andalusia was the PP. Although it won a plurality in the region in 2012, the party would have been sanguine about its regional prospects. However it lost a third of its seats in the regional Parliament, reversing two decades of incremental electoral progress in Andalusia. The most unnerving feature of this election for the PP was the assault on its fragile vote by the centrist Ciudadanos party, which took 9% of the regional vote.

Ciudadanos has been a fixture of Catalan politics since 2006 but barely featured in national opinion polls six weeks ago. The party positioned itself after 2006 as a centrist alternative to the dominance of nationalist politics in Catalonia, opposing Catalan independence. The party under leader Albert Rivera identified a gap in the political market for a credible centrist alternative nationally and declared its intention to enter national politics just before Christmas 2014. Its political programme is broadly a social and economic liberal one, seeking to eliminate the two tier Spanish labour market, but also introduce a system of tax credits and lower VAT. It shares much of the same political space as the Union Progress and Democracy (UPyD), but benefits from a more effective leader, better organisation and general novelty. Obtaining 9% of the vote in its first regional contest outside of Catalonia takes it a huge further step in consolidating a position as a credible option in the political centre, and in doing so makes it an alternative for the large group of disenchanted centrist PP voters who have withheld support from the PP since late 2012. Rajoy had been calculating that these voters had little political choice but to return to the PP - if they voted at all - later this year.

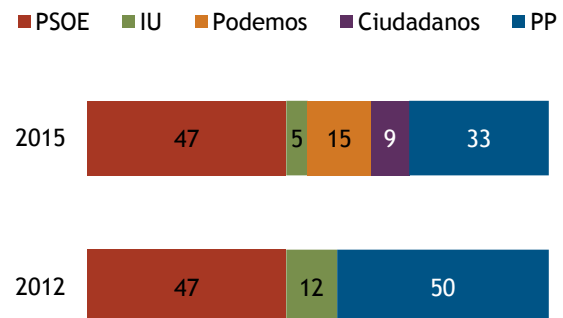


Fig 2: Make-up of the new Andalusian Parliament (seats)

Outsiders and insiders

How far is it safe to extrapolate from a regional election such as this? To be sure, Spanish regional elections have their own local dynamics. Despite a more fragmented regional Parliament, the PSOE will almost certainly be able to govern as a minority in Andalusia because of its clear hegemony over the other parties, and may in fact be stronger freed from its alliance of necessity with the IU since 2012. This will not be the case at the national level, where although the general elections later this year are also likely to produce a minority, the contest is much more balanced and therefore governing will be much more difficult. Nevertheless, these election results create a narrative which

is already resonating through Spanish political debate. Podemos and Ciudadanos, have gone from nowhere to a quarter of the vote, and now have a challenger's record that they will seek to export to other parts of the country.

Some of the PP's failure to capitalise on strong economic performance could be a 'leading indicator' problem. The headline figures for the Spanish recovery hide very high residual levels of unemployment (especially in Andalusia) and the impacts of public sector and social welfare retrenchment are still being felt very widely. Former PP leader José María Aznar warned in a speech to the PP party congress in January that the party's apparent delivery of returning economic health would be insufficient to win back voters still alienated by the medicine of the last five years. Too much of Spain's economic good news is still abstract for too many voters.

But there is more to it than this. Most importantly, the political branding of Podemos and Ciudadanos resonates with a very strong thread in Spanish polling of desire to reboot Spanish politics outside of the current establishment. Political incumbents may still be dismissive of the momentum behind this urge, but it goes to the heart of the PP's problems with converting a relatively strong economic performance into electoral success. More than any other electorate in Western Europe, Spanish voters identify corruption as amongst the biggest political problem facing the country. 49% of Spaniards cite corruption as one of Spain's three biggest problems. One in five cite politicians and political parties themselves. Running simply on results in this context may not be enough.

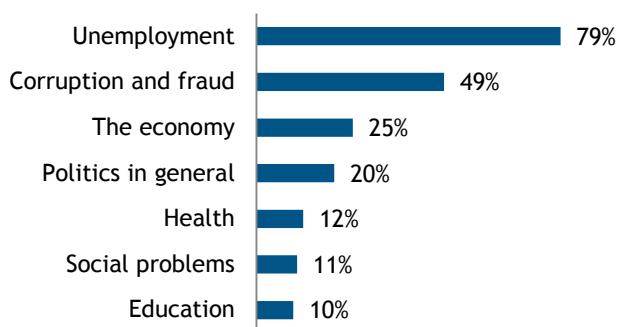


Fig 3: Perceived main problems in Spain (% respondents)
Source: CIS (February 2015)

Six months ago it looked like the heaviest impact of this trend for the PP would be abstention. The threat provided by Ciudadanos is perhaps particularly unnerving for the PP because it comes not from the right but from the centre, where

Spanish elections are traditionally won. A decade of electoral solidity can sometimes obscure the fact that the PP is in fact a delicate coalition between social conservatives and urban economic liberals. It emerged as a party of government in the 1990s by expanding beyond its traditional conservative base and adopting a reformist and economically liberal message. This coalition of voters has remained relatively solid for the last two decades, as the party has not had serious competition for either of these two groups. The Andalusian pre-electoral poll by the Spanish Centre for Sociological Research (CIS) showed that for every ten 2012 PP voters six planned to return to the PP voters and one had shifted to Ciudadanos. The shift in the election itself was probably higher, and post-election polls later this month will almost certainly suggest an even bigger drift.

Plurality Spain

Translated to the national level, this could have a significant impact on the PP's ability to even win a plurality. Ciudadanos is very unlikely to seek a coalition with the PP, although would potentially support a PP government on a case-by-case basis. The party has sought to be perceived as a reformist party, which makes collaboration between PP and Ciudadanos more likely than between PSOE and Podemos, but like Podemos it has made much of its relative outsider status, which works against coalition. Ciudadanos has also positioned itself carefully in the centre, and not ruled out working with the PSOE. In policy terms, Ciudadanos could have a significant (though not radical) influence on a PP government, supporting labour market reform, but seeking further measures to tackle the job insecurity of temporary contracts and create a single tier employment market, and promoting measures to re-train the long-term unemployed.

However, Ciudadanos has also a strong political reform agenda, campaigning to eliminate the system of 'closed' electoral lists, and judicial reform, which would diminish both the control of party leaders over their members, but also the government's control of state institutions. This would be much more difficult for the PP to accept. If Ciudadanos were to do as well as some of the polls currently predict, it could provoke a crisis within the PP and perhaps even a change of leadership. More broadly, a move to such multi-party politics would significantly alter the way Spanish politics has operated for decades. Although formal coalitions remain unlikely, Parliament will become a much more active political arena and broad political deals will be required for

governments to pass legislation, making for more unstable, tactical and unpredictable policy-making.

There is much about this experience that is uniquely Spanish, but some insights for wider European politics more generally. The erosion of the authority of the incumbent political class has been particularly marked in Spain but it is a feature of politics across Western Europe, and it has brought

with it almost everywhere a collapse in the flagship political brands of the pre-2008 period. Spain is relatively unusual in that this shift has no far-right or Eurosceptic dimension; it is overwhelmingly targeted at the austerity and the perceived failings of the current political class. Spain may also provide further evidence of the way in which a return to growth alone may not reverse this shift or reward incumbents.

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