



Written by [Bruce Walker](#) on May 31, 2011

## Will the Crises in Spain Combine to Make the “Perfect Storm”?

The financial crisis threatening to bring down the economies of Portugal, Ireland, Greece, and Spain (the so-called “PIGS” countries) has long-term consequences which will affect whole generations in those nations. But the problems in Spain — high unemployment and immigration woes, regional tensions, and a low birth rate — seem to be combining in a “perfect-storm,” making a financial meltdown perhaps even more likely there than in any of the other troubled European Union member-states.



The unemployment rate among 16- to 24-year-old Spanish workers stands at a staggering 45 percent. Whole industries, such as construction, have almost died. Students — such as Silvia Huelves, who wants to be an architect — hear from their professors that they need to study Chinese or Japanese if they want to work. Says Huelves, “You go in and the first thing they say is, ‘Forget about it, you are never going to build buildings.’ They say, ‘Architecture is really cool and well-rounded and useful for a lot of things, but you are not going to build buildings.’”

Spain, like most European nations, has cushy public-pension plans which rely heavily on the young population picking up the costs of payments to retired workers. But the young cannot support older Spaniards if they are not working. Compounding this problem is the country’s low birthrate: 1.4 children for every woman of childbearing age. So Spain, like many other European nations, faces a shrinking overall population as well as a declining number in the workforce, whatever the unemployment rate, to support those pensions. Adult children, however, may still be living with their parents (like so many young adults in Europe and America), so anything that compromises the retirement plans of their parents will also make their own economic situation more problematic.

The response of Spanish young people to their apparently hopeless future is familiar: They are taking to the streets with protests and rioting, hoping that social unrest will somehow solve the country’s economic problems. The Spanish government, however, has no real power to help these young people. The [country’s soaring public debt](#) is already more than 68 percent of the GDP. The external debt is 165 percent of the GDP and rising — one of the highest ratios in Europe (greater, for instance, than that of either Portugal or Ireland).



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Nearly one-third of working Spaniards — especially young people — have only temporary, contractual jobs. Many of these temporary workers are college graduates who had expectations of affluence in the business world.

Spain's latest unemployment figures are discouraging: The nation lost 63,000 jobs in February and the unemployment rate rose by 1.6 percent. Its economy also shrank last year, although the .1-percent decline was smaller than the GDP drop of 3.7 percent in 2009. Labor Secretary Mari Luz Rodriguez labeled the latest employment numbers "very negative and worrying."

Spain also faces another problem complicating negative economic growth and high unemployment: It has long been the transit point for North African Muslims moving into Europe, and the young Muslims now living in Spain are competing with native Spaniards for relatively low-skill work such as construction jobs. Neighboring France already has five million Muslim immigrants, and President Nicolas Sarkozy has considered paying these immigrants up to \$8,000 each to leave France. How many of these Muslims might accept that payment and then cross the Pyrenees into Spain? The unemployment rate among Muslim immigrants in Spain is already 30 percent, and the government can ill afford to continue providing public assistance to maintain them. In a move similar to what the French are considering, Spain has implemented a program to pay these immigrants lump-sum unemployment benefits just to leave the country — one payment upon leaving and another upon arriving in their country of origin — but so far there have been few takers.

Spain also has a history of regional tensions. Most notably, the Basques have long sought to separate their region from Spain. But even among the more traditionally Spanish-speaking parts of the nation, geography and history have created regional sentiments which often outweigh national identification. It certainly does not help that much of Spain's public debt [may be "hidden"](#) in regional and local governments.

Is there a solution? Certainly the Spanish should consider halting immigration immediately. Privatization — now getting a close look — is another key to creating an incentive-driven economy. As the economy contracts, lowering tax rates to draw in foreign investment and to persuade Spanish businesses to expand could reduce the deficit by increasing revenues (with a growing economy) and lowering social welfare payments.

Unlike the other three "PIGS" countries, Spain is a large nation, comparable in size and population to Italy or Poland. Though its problems may in some ways seem less daunting than those of, say, Greece, the fact that Spain's population is not the homogenous of either Portugal, Ireland, or Greece means that the underlying danger of a true meltdown may be higher in Spain than in any of the other troubled nations of Europe today.



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