

It has been more than two years since the Spanish Socialist Workers Party (PSOE) under the leadership of Felipe González triumphed in the national elections in my country and came to power. At the time, few Americans knew much about him or his party, and they knew even less of what to expect from his socialist government.

The PSOE was founded in Madrid between 1879 and 1881 as a Marxist proletarian party by Pablo Iglesias, a

Socialism with a Pragmatic Face

Spain's socialist revolutionaries are now politicians, and that means even freedom can prosper here and there.

By M. Perez

typographer and good organizer still revered by many socialists. In early 1983, for example, the *Wall Street Journal* interviewed a 91-year-old printer in Madrid whose wallet contained pictures of Iglesias and Karl Marx.

In its early days, the PSOE was strictly a working-class party. It was and still is closely associated with one of Spain's two trade-union federations, the UGT (the other federation is Communist). In the 1920s and 1930s, however, as the party started to win parliamentary seats and some municipal offices, it began to attract intellectuals, writers, and teachers to its ranks. And it survived a schism within its ranks when its youth organization seceded in 1920 to form what is now the Spanish Communist Party (PCE).

The first time the PSOE became a

governing party was during the eight turbulent years of the Spanish Republic (1931-39). Prominent members of the PSOE and UGT were ministers of different Republican cabinets, and one socialist, Francisco Largo Caballero, was briefly the prime minister of the Republic.

But those days of glory were short-lived. Spain was racked by a violent and bloody civil war with the Republicans on one side and fascist rebels, led by General Francisco Franco and aided by Hitler and Mussolini, on the other. Among the Republicans' international supporters were foreign notables such as Ernest Hemingway, George Orwell (who fought in Republican ranks and subsequently wrote his *Homage to Catalonia* about the experience), and Albert Camus, but also the Soviet government. It was all to no avail. After uncounted thousands were slaughtered by both sides, the fascists won in 1939, and Franco ruled as dictator until his death in 1975.

In the wake of Franco's oppression, many PSOE leaders fled into exile, mainly to Mexico and France, and the party set up headquarters in Toulouse, France. Over the years, the PSOE sunk into oblivion for several reasons. Membership inside Spain (illegal under Franco) declined. Six of its underground organizations fell into police hands, leading the party to abandon major clandestine operations almost entirely in 1948. And the 1950s and 1960s brought a generation of Spaniards who had no memories of the Civil War and no direct contact with the PSOE—or, for that matter, with democracy.

In the early 1960s, a group of young Socialists from Seville under the leadership of Alfonso Guerra (now Spain's vice-president) and lawyer Felipe González began agitating for three major changes in the PSOE. First, they wanted to reinvigorate the party within Spain, even though Franco was still alive and party membership was illegal. Second, they were interested in working closely with other anti-Franco groups both to the left and to the right of the PSOE—anathema to PSOE veterans of the Civil War who were intent on maintaining the ideological purity of the cause for which they had fought.

Finally, the Sevillians were promoting a social-democrat ideology that was more moderate than the Marxism of the Toulouse generation. González, particularly, was heavily influenced by social democrats in Sweden and Germany, with former German chancellor Willy Brandt



**Prime Minister
Felipe González:
A radical lawyer in
his youth, Spain's
socialist leader
now avoids the
word "socialism."**

(now head of the Socialist International) as a kind of political godfather.

The conflict between the generations came to a head at a socialist convention in Suresnes, near Paris, in 1974. The Sevillians took over, and González became the party's general secretary. Little by little, the PSOE's traditional attachments changed. For example, the once staunchly republican party is now sympathetic to the monarchy, an irony that is due to the immensely popular King Juan Carlos.

Although the fascist dictator Franco groomed Juan Carlos to be his successor, the young king's politics have turned out to be very different from his mentor's. After Franco's death, Juan Carlos artfully steered Spain away from its fascist legacy and toward a liberal democracy. The king's greatest test came in 1981 when a group of armed fascists in the civil guards literally held the Spanish parliament at gunpoint in a coup attempt. The king single-handedly saved his nation's still-new democracy and was later even proposed by Socialist mayors for the Nobel Peace Prize.

There have been other changes in the PSOE's ideology that are just as dramatic. Instead of the fervent Marxism of the old days, much of the party's rhetoric promotes free-market-oriented social democracy and recognizes the superior capitalist ability to produce wealth. Moreover, the party solicits support not only from its original working-class base

but from all social and economic groups. The transformation of the PSOE is complete, and it produced a winning formula for the party when Spaniards went to the polls in 1982.

Today, the basic philosophical principle of the PSOE is to stay in office. But is it socialist? Yes and no. On the one hand, the party's programs and the resolutions of its conventions, affiliated trade unions, and youth organizations are still clearly socialist, with a Marxist orientation and much rhetoric about class struggle. On the other hand, the moderating influence of European social democrats has affected the PSOE greatly since the early 1970s. Their lesson for the Spaniards was to forget about the old Marxist trappings and follow the example of the German Social Democratic Party. González and his fellows learned the new pragmatism quickly and well. For example, in his long state-of-the-nation address last year, González didn't mention the word *socialism* once.

One thing is certain. Even if González, Guerra, and their allies may have taken to heart the PSOE's utopian socialism in their youth, now that they're in power they're acting more or less like politicians everywhere. They speak of the need for pragmatism. They install their friends and PSOE members in the government bureaucracy, and all the government-owned businesses (inherited, ironically, from the days of Franco). They blame investors for not putting risk capital to work in the private sector—but at the same time, they use big advertising campaigns and attractive tax deductions to lure investors to purchase nonrisk government bonds for reducing enormous government deficits and covering chronic losses in state-run industries. When policies don't work, they rely on Felipe González's personal charm, which is considerable.

It's instructive to see how the Spanish socialists have handled one of the country's worst problems—unemployment. The dimensions of the problem are huge. In 1981 (the last full year before González came to power), Spain's unemployment rate was 14 percent, already a good deal more than the 7.8 percent unemployment rate that year for the European Economic Community as a whole. In the second quarter of 1984, the EEC's unemployment rate had moved up almost three points, to 10.7—but the

Spanish unemployment rate had risen to a staggering 19.7 percent of the labor force.

What makes it especially embarrassing for González is that in the 1982 campaign, PSOE economists had calculated that four years of socialist rule would produce a minimum of 800,000 new jobs. Yet it is estimated that in the first two years of the González government, the economy *lost* 600,000 jobs.

To his credit, González has acknowledged his government's failure to alleviate the unemployment problem as promised. Even in his 1984 state of the nation address, he clearly admitted that he had been wrong the year before when he proclaimed that the erosion of jobs had already touched rock bottom.

One of the government's big initiatives for dealing with economic woes has not been the wholesale nationalizing of industries, such as the Mitterrand government engineered under somewhat different circumstances soon after it came to power in France. Spain has instead tried a device called a "social pact." Last year, the Spanish government asked representatives of employers and employees to put aside their own special interests and negotiate agreements that put the national interest first.

What actually happened is the Spanish Confederation of Entrepreneurial Organizations, representing employers, worked assiduously to protect its own interests. The General Workers' Union (UGT), the socialist trade-union federation, tempered its steadfast devotion to workers by heeding the dictates of its PSOE allies; this made it look very tame indeed. And the Workers Commissions, the Communist unions, loudly claimed that they were representing the working class's true interests, which had been betrayed by the Socialists.

But somehow, a Social Economic Agreement was hammered out that was acceptable to all but the Communist unions. It stipulates that employers and employees will voluntarily limit wage increases to a maximum of 5-7 percent for two years, which is lower than the expected inflation rate of 10 percent. The government, for its part, promised to reduce deficits, keep public-sector losses under control, and appoint a study group to reform Spanish labor laws so that they're closer to the European Economic Community's protective labor legislation.

The average Spaniard believes that the "social pact" is just another political device that will not substantially improve



**Francisco Franco:
Under his 36-year
dictatorship, a
generation of
Spaniards grew up
with no experience
with democracy.**

his standard of living. Yet the González government hopes to use the agreement to survive until the next national elections, in October 1986. The pact was generally considered a political coup for the socialists—yet it is a far cry from the Spanish socialism of the old days. After all, even President Nixon imposed wage and price controls in the *United States* in 1972, and those were mandatory.

Another big issue in Spain is withdrawal from NATO. A solid majority of Spaniards—59 percent as of last October—are against Spanish participation in NATO. The PSOE itself came down firmly in favor of withdrawal during the 1982 campaign. Yet since then, the González government has steadily shifted in a very different direction. It is now in favor of a national referendum to decide the issue, but it has delayed the referendum until February 1986, right after Spain is expected to join the European Economic Community and when public opinion should be favorably disposed toward Western alliance. Finally, while González remains opposed to Spanish participation in the *military* side of NATO, at a party convention late last year he advocated participation in the *political* doings of NATO. So the PSOE promise in 1982 to pull out of NATO has been scrapped altogether.

Is anyone calling the González government to task for its political zigzags? There are indeed three centers of opposition to the regime, but none seriously

threatens the ruling party right now. The largest is the center-right Popular Coalition, which consists of three parties—the Popular Alliance (conservative), the Popular Democratic Party (Christian democrat), and the Liberal Union (classical liberal). The coalition's opposition is less than ferocious. Whenever the government rectifies a past mistake, the coalition takes the opportunity to praise it, regarding every 180-degree turn by González as a sign of realism.

The coalition leader is Manuel Fraga of the Popular Alliance. He is a law professor and was minister of Information and Tourism under Franco. Even though he is a conservative, Fraga has written favorably of John Kenneth Galbraith, the well-known disciple of Keynesian economics and publicist for a mixed economy. In a 1975 book, Fraga declared himself in favor of a "serious income policy" as well as government policy "to control all income; prices, margins or profit, dividends, salaries, and wages." But generally, the Popular Coalition's members are sympathetic to models of development such as the United States, Britain, West Germany, Switzerland, and Japan. They also support Spain's full participation in NATO.

The second-largest opposition to the González government comes from the Communist Party of Spain (PCE). The Communists share power with the Socialists in many municipal councils, but that hasn't prevented the Communists from bitterly criticizing González's policies. In parliamentary debates late last year, for example, they took the government to task for its labor and economic policy and its willingness to stay in NATO, and they accused it of departing totally from leftist principles and breaking promises to the workers who voted PSOE candidates into office.

Spain's Communists have followed the Eurocommunist example of their Italian brethren. This has meant accepting (at least nominally) the existence of parliamentary democracy and civil liberties and occasionally criticizing the USSR for its actions in Afghanistan and Poland.

The third-largest center of opposition to the Socialists is the Basque and Catalan nationalist minorities, who want the Madrid government to transfer more power and money to their autonomous regional governments. The Basques have also complained that the police torture people to get information on terrorist activities. This charge is supported by a recent Amnesty International report,

which found "persistent use of torture or ill treatment of detainees in Spain." The report noted that every year since 1980, Amnesty International has been informed of 25-30 substantive allegations of torture or ill-treatment of detainees under Spain's antiterrorist laws.

From a pro-freedom standpoint, the González government can be credited with a number of major accomplishments. First, Francoism is no longer a political force in Spain. The fascists' last important stronghold was the military (indeed, high-ranking military officers supported the coup attempt four years ago). But since the coup was foiled and González was elected, his defense minister has been carefully appointing pro-democratic generals to key posts and removing fascists.

The socialist government may also claim some success in combatting terrorism. Since the days of Franco, Spain has been plagued by separatist terrorist organizations, notably the Basque separatist group called ETA that assassinated Franco's prime minister in the 1970s. Today, the ETA is still actively killing all sorts of people and collecting cash from frightened citizens under the rubric of a "revolutionary tax."

But lately, their traditional refuge across the border in southern France is not as secure as it once was. The socialist Mitterrand government in France is increasingly cooperative with its long-time Spanish friends of the PSOE. Admitting that killers for political reasons are just as much criminals as are killers for any other reason, French authorities are refusing to treat terrorists gently as they did before, when ETA members had political-refugee status. And some terrorists imprisoned in France have been extradited to Spain.

There is vastly more personal freedom in Spain today than under Franco or even under the conservative governments that ruled the country between Franco's death and González's election. Spanish citizens now enjoy all the democratic freedoms and civil liberties respected in other Western European countries, and they're protected by law and popular consensus. Yet those liberties still do not extend as far as they should.

You may now go anywhere in Spain that you choose. You may decide to attend the meeting of an opposition political party. You may print or buy any



**King Juan Carlos:
He says that
Spain's people
today enjoy more
freedom than ever
before in their
history.**

kind of publication. And you may watch a porno show in a theater and afterwards smoke hashish at a party. All these would have been unheard of 10 years ago.

But economic freedoms are not so wide. Spaniards are still not allowed to start private television stations, so you don't have the option of watching private television. The Spanish constitution guarantees freedom of expression, but when the government does finally permit private television, probably by the end of this year, it will be heavily restricted and regulated.

Freedom of movement is also constitutionally recognized, and you may leave the country if you wish. But you aren't permitted to take your money along with you without restrictions, even when it is perfectly clean, hard-earned money that you've kept after having paid all your taxes. If you tried to take your money out of the country anyway, it would be called "capital evasion." You could end up in jail, and the money might be confiscated or reduced by heavy fines.

You are free to stroll downtown at night. But there is a danger that you will be attacked by petty criminals. With the relaxation of social and political restraints since Franco's death, the level of crime has increased in Spain. It is not as high as in some other western European

nations, but it is still a serious problem. When the PSOE came to power, it liberalized Spain's criminal code and released a few thousand petty criminals from jail. But as the crime rate continues to grow, the government has retracted some of its reforms, and today, we are back more or less to where we started. The government does not seem to have any solutions to the crime problem.

So is Spain free because of Felipe González and the PSOE? King Juan Carlos, in a speech at Harvard last year, said, "Today, Spanish people enjoy more freedom than ever in all their history." Yet only a few days earlier, the well-known Spanish philosopher Julian Marias had written in *ABC*, a newspaper supportive of a strong monarchy, "You have to be blind if you cannot see the progressive and fast diminution of freedom in Spain during the last eighteen months. Since 1981, freedom had experienced what we could call a principle of numbness: there was less vivacity, less happiness, less personal and social spontaneity, a weaker sense of enterprise, of open road toward the future; freedom was still respected, but neither incited nor stimulated."

He added, "Something that did not exist at all is happening now, and it worries me a lot: exasperation. Countless Spaniards of all social strata, of all kinds of ideologies, feel uncomfortable, supervised, manipulated, harassed. . . . When they want to project something, they find that the government has already intervened—or is about to intervene—to limit their possibilities or to orient them towards a predetermined direction."

Who is right, King Juan Carlos or Julian Marias? Both are right, from different angles. The king is right about the freedoms that are guaranteed by the Spanish constitution and that have been expanded by the González government. And the philosopher is right about the kind of limitations that the citizen still encounters in everyday life on his personal and economic liberties, some of which have even grown worse.

So it is in the Spain of Felipe González. In some ways, the lot of Spaniards has suffered a setback. In other ways, they are enduring what they have endured for decades. And in still others, they are indeed freer than they have ever been before. And they owe it to the Spanish socialism that is no longer quite so socialism. □

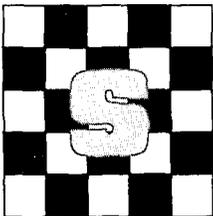
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Cab Scam

Even taxis are controlled by Chicago's corrupt political machine. Now pressure is building to dismantle the city-supported cab monopoly.

By Daniel John Sobieski



Since Charles I ordered the licensing of hackneys in London and Westminster in 1635, governments have tried again and again to control first hackneys, then cabriolets, and today taxis. Until recently, almost nothing was quite so sure as death, taxes, and cab regulation.

Perhaps nowhere are the fruits of such regulation more obnoxious than in Chicago. For more than half a century, two interlocking companies have shared a near-monopoly over the taxi business in the Windy City, limiting the number of cabs on the streets, locking out potential competitors, and deciding who gets to work in the business and who doesn't. But a \$320-million antitrust lawsuit could change all that by shattering the dominance of the Checker and Yellow fleets over Chicago's taxi industry. The result could be more cabs on the streets, better service for low-income areas, employment for licensed cab drivers who can't now find work, and an opening for new companies to enter the market.

It would all be part of a growing nationwide trend to deregulate municipal taxi businesses. There is already a steadily expanding list of cities with at least partial taxi deregulation. It includes all of Arizona's cities and towns; San Diego and Santa Barbara, California; Seattle and Spokane, Washington; Honolulu; the District of Columbia; and Kansas City, Missouri, among others. Indeed, a survey of 103 American cities found that during the past five years, 16 cities have substantially relaxed market-entry controls, while 17 substantially relaxed fare regulations. This trend was further stimulated in 1982 by the Supreme Court's *Boulder* decision, which held that cities can be sued in some cases on antitrust grounds for restraining competition. Three Chicago taxi drivers saw the opportunity to file suit in federal court against the Checker and Yellow cab companies. They had conspired with the city of Chicago, charged the suit, to monopolize the city's taxi industry via limits on the number of taxi licenses.

It is interesting that such a suit should be filed in Chicago, partly because the modern taxicab industry got its start there. John D. Hertz, best known today

for the car-rental business he also started, launched the Yellow Cab Company in Chicago, and it was the emerging taxi industry that prompted the first installation of traffic lights along Michigan Avenue.

Joseph L. Bast of the Heartland Institute has noted that from 1915 to 1930 the taxicab industry of Chicago flourished in an environment relatively free of regulations. The industry earned a reputation for professionalism, safety, and innovative service. Hertz pioneered such developments as telephone dispatching, no charges for deadhead mileage to or from a pick-up point, uniformly low fares, and training programs for drivers.

Entry into the trade was virtually unrestricted by local government. Marcus Alexis, a Northwestern University economics professor and a student of Chicago's taxicab industry, recounts that in the 1920s, as more and more Chicagoans were able to afford their own cars, many simply put "TAXI" signs on the sides of their cars and thus entered the market as cab drivers. And since no firm held a monopoly via licenses, anyone who could earn the public's confidence