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Spain to Europe’s Relief

The center-right gains while the voters reject hard-left Podemos.

<http://www.wsj.com/articles/spain-to-europes-relief-1467068616>

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Amid so much post-Brexit gloom about Europe, Sunday brought some especially welcome news in the unlikely vehicle of a Spanish election. The country’s voters increased support for Prime Minister Mariano Rajoy’s center-right Popular Party (PP) while rejecting the bid for power by the left-wing Podemos movement.

The election improves on the muddled results of six months ago in which no party won a majority. This time the PP increased its seats in the new Parliament to 137 from 123. The Socialists retained second place with 85 seats, blocking Podemos’s attempt to become the main party of the left. Markets responded with relief, pushing the Spanish 10-year government bond yield down 0.17 percentage points, the sharpest drop since 2014.

Mr. Rajoy is short of an absolute majority, but this is nonetheless a case of sound policy rewarded. Since taking power in 2011, the PP has ignored the Keynesian councils of Brussels and Washington in favor of supply-side economic reforms. Mr. Rajoy has cut personal and corporate taxes and simplified the tax system, trimmed civil-service spending and made it easier to hire and fire Spaniards.

And what do you know, faster growth has followed. Spain’s economy grew 3.2% last year and about 3% over the past eight quarters, according to the European Union’s statistical agency, while the jobless rate has fallen to 22.7% from a crisis-era peak of 26%.

This Spanish revival is all the more remarkable considering the lackluster growth in most of the rest of Europe. Growth in Germany was 1.7% last year and a mere 1.3% in France, where the jobless rate continues to be above 10%.

These results no doubt helped to blunt the appeal of Podemos, which fancies itself a version of Greece's hard-left Syriza party. Left-wing populism prospers amid economic stagnation. Some credit also belongs to the Socialists, who have behaved like a responsible center-left opposition that favors more government intervention but rejects Podemos's anticapitalist platform.

Spain still faces a period of uncertainty as Mr. Rajoy tries to put together a governing coalition in Parliament. The PP might have done even better if it weren't burdened by corruption scandals, and the PP and the center-right Ciudadanos party lack the votes for a majority on their own.

The Socialists don't seem inclined to join a left-right coalition government. But perhaps they could be persuaded to abstain on an organizing vote in return for PP concessions. Those could include the resignation of Mr. Rajoy, who has already served his country well. New, more charismatic PP leaders could help the center-right cause if they would continue to push the Rajoy agenda.

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