

autonomy with economic integration in the Spanish market. For a brief period during the 1930s, the freedom of the Second Republic gave the Catalans a taste of political autonomy, but the door was shut for forty years by the Franco dictatorship (see *Republican Spain*, ch. 1).

There were, in principle, several different criteria that were used to determine who was, or was not, Catalan. One's place of birth, or the place of birth of one's parents, was often used by second-generation migrants to claim Catalan status, but relatively few whose families had been Catalan for generations agreed with these claims. Biological descent was seldom used among either natives or migrants, because Catalans, unlike Basques, did not usually define their ethnic identity in such terms. Sentimental allegiance to Catalonia was important in separating out from the category those native Catalans who no longer felt any identification with their homeland, but preferred to identify themselves as Spanish. Thus, the most significant and powerful indicator of Catalan identity, for both Catalans and migrants alike, was the ability to speak the Catalan language.

According to one estimate, the population (including those outside Spain) speaking Catalan or one of its variants (Valencian or Majorcan) numbered about 6.5 million in the late 1980s. Within the Catalan autonomous community, about 50 percent of the people spoke Catalan as a mother tongue, and another 30 percent could at least understand the language. In Valencia and the Balearic Islands, perhaps as many as 50 to 70 percent of the population spoke one of the variants of Catalan as a mother tongue, although a great majority used the language only in the home.

The Galicians

Galicians live in the four Spanish provinces located along the far northwest coast of the Iberian Peninsula, but their language zone shades into northern Portugal as well. The autonomous region of Galicia covers about 6 percent of the total peninsular territory of Spain. The four provinces that make up the region are La Coruña, Lugo, Orense, and Pontevedra. The total population of these provinces in 1986 was about 2.8 million. None of the provinces was densely populated. Unlike the Basque and the Catalan regions, which were rich, urbanized, and industrialized, Galicia remained relatively poor, agricultural and dominated by rural and village society, as industry had yet to make its appearance there on a large scale. Moreover, its agricultural sector continued to be among the most backward in Spain, and farm productivity was severely hampered by the tiny size of the individual plots, known as *minifundios*.



*Galician bagpipe players
in regional dress
Courtesy National
Tourist Office of Spain*



*Canary Islanders
in regional dress
Courtesy National
Tourist Office of Spain*

remainder refraining, at least partly, out of a sense of inferiority. In any case, only an insignificant percentage would be unable to understand the language, given its similarities to Castilian Spanish. Nevertheless, like Catalan, Galician seemed condemned to second-class status while Castilian continued to enjoy the role of the dominant language in official and formal contexts. Galician nationalists were sharply critical of what they termed the “so-called bilingualism policy,” because they believed that Galician, unless it were given privileged status vis-à-vis Castilian, would eventually be overwhelmed by the more popular and more dominant official language.

The Basques

The homeland of the Basques, known by Basque nationalists as Euzkadi, occupies the littoral of the Bay of Biscay as it curves north into France. The region extends inland some 150 kilometers, through the juncture of the Pyrenees and the Cordillera Cantábrica, and thence south to the Río Ebro. The region covers nearly 21,000

The *minifundio* was the product of an attempt to distribute land parcels in a closed rural system to a growing population by requiring that equal shares be left to each heir. After just a few generations, the land had been subdivided so much that most of the parcels were too small to support a family or to be economically viable. For these reasons, Galicia was a net exporter of population to the rest of Spain. Between 1900 and 1981, the net outflow of people from Galicia was more than 825,000.

Galician nationalism, which appeared as early as the 1840s, recalled a mythical "Golden Age" when the medieval kingdom of Galicia had existed. There had indeed been a king of Galicia who was crowned in 1111; the kingdom was partitioned some years later, however, leaving the northern half hemmed in and isolated while the southern portion expanded southward in the wake of the Moors' withdrawal. This southern part of the realm eventually became Portugal; the northern part fell into disorder. Finally, in 1483 Castilian forces restored order in Galicia, and the kingdom of Castile incorporated the region into its realm. Castilian rule also brought on economic and cultural stagnation that lasted into the nineteenth century.

The emergence of Galician nationalism in the 1840s was principally a literary and cultural phenomenon; its economic and political strength had been sapped by the continuation of its traditional, rural, even anti-industrial social structure. The peasantry was conservative; the bourgeoisie was tiny and was largely non-Galician; the church opposed modernization. The Galician language survived principally as a rural vernacular, but it had no official standing. Despite Galicia's contemporary nationalist movement, which dates from 1931, and the activities of the region's autonomous government, in power since 1981, Galician nationalism continued to be almost silent in comparison with the louder demands of Basques and Catalans in the late 1980s. The use of Galician in political and official forums remained principally a strategy of parties on the left of the political spectrum; more conservative political figures continued to use Castilian either predominantly or exclusively.

About 60 percent of the population of the autonomous community can be identified as ethnic Galician, the great majority of whom retained some use of their language, if not in formal settings, at least in the home. According to one source, some 80 percent of the population could at least understand the language, although it remained primarily a language for the rural and village poor of Galicia and was not much heard in the larger cities. Another source argues that at least 80 percent could speak the language but probably only about 60 percent actually did so on a regular basis, the



*Typical regional dress
in Cáceres Province
Courtesy National
Tourist Office of Spain*

square kilometers, of which about 3,000 lie on the French side of the international frontier. The 18,000 square kilometers on the Spanish side constitute about 3.6 percent of Spain's total land area.

About 3 million people lived in this area in the late 1980s. Approximately 300,000 people were on the French side of the border, while the remaining 2.7 million people were concentrated primarily in the two Spanish coastal provinces of Guipúzcoa and Vizcaya and, less densely, in the two inland provinces of Álava and Navarre. This population lived under two distinct autonomous communities: the Basque Country, which incorporated the three smaller provinces, and Navarre, which by itself constituted a "uniprovincial" regional government.

The Basques are among the oldest peoples of Europe. Despite their having been visited by numerous waves of invaders, the Basques reached the tenth century still fairly isolated from the flow of West European history. In the tenth and the eleventh centuries, the rising kingdom of Navarre absorbed most of the rest of the Basque peoples, and it created for the first time a more or less

unified Basque political entity. With the kingdom's decline, however, the region fell into disorder, and by the sixteenth century, the Basque provinces had been integrated into the kingdom of Castile. From this time until the nineteenth century, relations between Castile and the Basque provinces were governed by the *fueros*, local privileges and exemptions by which the Spanish king recognized the special nature of the Basque provinces and even a number of Basque towns (see Rule by Pronunciamento; Liberal Rule, ch. 1). As a result of the centralization of the Spanish state and the Carlist Wars, the *fueros* had been abolished by the end of the nineteenth century. The Second Republic in the 1930s offered the chance to create a new autonomous Basque regime, but all such efforts were doomed by the Spanish Civil War. After the war, the Franco dictatorship sought—unsuccessfully—to suppress all signs of Basque distinctiveness, especially the use of the language.

Through most of the twentieth century, the thriving Basque economy, centered on the steel and the shipbuilding industries of Vizcaya and the metal-processing shops in Guipúzcoa, attracted thousands of Spaniards who migrated there in search of jobs and a better way of life. Between 1900 and 1980, the number of people moving into the region exceeded those who left by nearly 450,000, the heaviest flow occurring during the decade of the 1960s. In the 1970s, the flow began to reverse itself because of political upheaval and economic decline. Between 1977 and 1984, the net outflow was nearly 51,000. The consequence of this heavy in-migration was a population in the late 1980s that was only marginally ethnic Basque and that in many urban areas was clearly non-Basque in both language and identity. One authoritative study found that only 52 percent of the population had been born in the Basque region of parents also born there, 11 percent had been born in the region of parents born elsewhere, and 35.5 percent had been born outside the region.

The Basque region has been for decades the arena for a clash between an encroaching modern culture and its values (speaking Spanish, identifying with Spain, working in industry, living in a large city) and a native, traditional culture and its values (speaking Euskera, identifying with one's village or province, working on a small farm or in the fishing sector, living on a farm or in a small village). The former population was found concentrated in the larger cities such as Bilbao, while the latter lived in the small fishing villages along the Bay of Biscay or in mountain farmsteads, called *caseríos*, located in the mountains of Guipúzcoa, Vizcaya, and Navarre. These centers of Basque traditional culture have been in constant decline since the introduction of heavy industry to the

region in the last quarter of the nineteenth century, and they could well disappear by the end of the twentieth century.

The use of the Basque language has also been in steady decline for centuries, but the erosion has accelerated since the 1950s with the rise in non-Basque migration to the region. A 1984 language census confirmed what unofficial estimates had already observed: that Basque was a weakened minority language, although not yet moribund. Of the 2.1 million people in the Basque Country autonomous region, 23 percent could understand Euskera, 21 percent could speak it, but only 13 percent could read the language and only 10 percent could write it. These data indicate that the Basque language has survived principally as an oral language without much of a written tradition, and that it is conserved not by formal teaching in schools but by informal teaching in the home. Officials in the Basque Country launched a number of important programs, especially in television and education, to restore the language to a level of parity with Castilian Spanish, but the success of these efforts will not be confirmed for at least a generation. Officially, the objective was to make the Basque population bilingual in Spanish and in Basque; but that goal seemed quite remote in the late 1980s.

The Andalusians

The Andalusians cannot be considered an ethnically distinct people because they lack two of the most important markers of distinctiveness: an awareness of a common, distant mythological origin, and their own language. Nevertheless, it is clear that they do constitute a culturally distinct people, or region, that has become increasingly important in an industrial and democratic society.

The Andalusians live in Spain's eight southernmost provinces: Almería, Cádiz, Córdoba, Granada, Huelva, Jaén, Málaga, and Seville. In 1986 their total population stood at 6.9 million. In general, it had grown more slowly than had the country's total population, and the region continued to be sparsely populated. Since 1960, the region's share of total population had declined, despite birth rates ranging from 20 to 25 per 1,000, about 40 percent higher than the Spanish average. The causes of the depopulation of the region can be found in the distinctive characteristics of its culture and economy: the large, poorly utilized estates and the agro-towns; rural poverty and landlessness; a rigid class structure and sharp class conflict; and emigration to Spain's industrial cities and to other parts of Europe.

Most descriptions of Andalusia begin with the landownership system, for the most powerful forces in the region have for centuries been the owners of the large, economically backward

estates, called *latifundios* (see *Hispania*, ch. 1). These wide expanses of land held by relatively few owners had their origins in landowning patterns that stretch back to Roman times; in grants of land made to the nobility, to the military orders, and to the church during the Reconquest (*Reconquista*); and in laws of the nineteenth century by which church and common lands were sold in large tracts to the urban middle class. The *latifundio* system is noted for two regressive characteristics: unproductive use of the land (agricultural production per capita in Andalusia was only 70 percent of that in Spain as a whole during the late 1980s) and unequal and absentee landownership patterns (1 percent of the agricultural population owned more than half of the land; the landed aristocracy made up no more than 0.3 percent of the population). The workers of this land, called *jornaleros*, were themselves landless; they did not even live on the land. Instead, they resided in what Spaniards refer to as *pueblos*, but with populations ranging as high as 30,000, these population centers were far too large to be considered "villages" or "towns." Anthropologists have coined the term "agro-towns" to describe such urban areas, because they served almost solely as a habitat for agricultural day-workers and had themselves declined in economic, cultural, and political significance.

This economic and cultural system produced a distinctive outlook, or perspective, that involved class consciousness and class conflicts as well as significant out-migration. In contrast to the much smaller farm towns and villages of northern Spain, where the land was worked by its owners, where parcels were of more nearly equal size, and where class differentiations were softened, class distinctions in the agro-towns of Andalusia stood out with glaring clarity. Devices used in other parts of rural Spain to diffuse class conflict, such as kinship and religious rituals, were of little value here (see *Social Stratification*, this ch.). The families of the landless farmers lived at, or near, the poverty level, and their relations with the landed gentry were marked by conflict, aggression, and hostility. The two main forces that kept Andalusia's rural society from flying apart were external to the region. The first was the coercive power of the state, the political power emanating from Madrid, as exemplified by Spain's rural constabulary, the Civil Guard (*Guardia Civil*—see *The Police System*, ch. 5). The second was the safety valve offered by the opportunities to migrate to other parts of Spain, or to other countries in Western Europe. This freedom resulted in the remaining facet of Andalusian culture: the will to leave the region behind. Much of this migration was seasonal; in 1982, for example, 80,000 Spaniards, mostly Andalusians, migrated to France for the wine harvest. Much of the migration,

however, consisted of entire families who intended to remain in their new home for long periods, or perhaps forever. This is why Andalusia during the 1960s lost some 14 percent of its population, perhaps the greatest European exodus in peacetime in this century.

The Gypsies

The term "Gypsies" is used by outsiders to label an ethnic group the members of which refer to themselves as Rom and speak a language known as Romany. No one knows exactly how many Gypsies there are, either in general or in Spain in particular. Estimates of the Spanish Gypsy population range as low as 50,000 and as high as 450,000, and other estimates place the world Gypsy population at between 3 and 6 million. Correct estimates are made difficult by the nomadic life-style followed by a portion of the group, by their cultural isolation, by the sense of mystery surrounding them and their origins, and by the division of the population into a number of distinctive subgroups.

It is generally accepted that Gypsies migrated out of India into Europe as early as the eleventh century. There are records of their having arrived in Spain as early as 1425 and in Barcelona, in particular, by 1447. At first they were well received and were even accorded official protection by many local authorities. In 1492, however, when official persecution began against Moors and Jews to cleanse the peninsula of non-Christian groups, the Gypsies were included in the list of peoples to be assimilated or driven out. For about 300 years, Gypsies were subject to a number of laws and policies designed to eliminate them from Spain as an identifiable group: Gypsy settlements were broken up and the residents dispersed; Gypsies were required to marry non-Gypsies; they were denied their language and rituals as well as being excluded from public office and from guild membership. By the time this period had drawn to a close, Gypsies had been driven into a permanently submerged underclass from which they had not escaped in the late 1980s.

Spanish Gypsies are usually divided into two main groups: *gitanos* and *húngaros* (for Hungarians). The former, in turn, are divided into subgroups classified by both social class and cultural differences. In the late 1980s, the *gitanos* lived predominantly in southern and central Spain. Many of them took up a sedentary form of life, working as street vendors or entertainers. Although poor and largely illiterate, they were usually well integrated into Spanish society. The *húngaros*, however, are Kalderash, one of the divisions of the group from Central Europe (hence the name). They were much poorer than the *gitanos* and lived an entirely nomadic lifestyle,





*View of Grazalema, Cádiz Province
Courtesy National Tourist Office of Spain*

usually in tents or shacks around the larger cities. They made their living by begging or stealing, and they were much more of a problem for Spanish authorities. Many *gitanos* denied the *hungaros* the status of being in their same ethnic group, but outsiders tend to regard them all as basically Gypsies. In any case, whatever common ethnic consciousness they possessed was not sufficient to make them a significant political force.

Under Franco, Gypsies were persecuted and harassed, as indeed they were throughout the areas of Europe controlled by Nazi Germany. In the post-Franco era, however, Spanish government policy has been much more sympathetic toward them, especially in the area of social welfare and social services. Since 1983, for example, the government has operated a special program of compensatory education to promote educational rights for the disadvantaged, including those in Gypsy communities. The challenge will be to devise programs that bring the Gypsy population into the mainstream of the country's economic and political life without eroding the group's distinctive cultural and linguistic heritage.

Social Stratification

Spain in the 1980s possessed a socioeconomic class structure typical of countries entering the advanced stage of industrialization. In general terms, society was becoming more differentiated along class, occupational, and professional lines, with an expanding middle class and a decreasing proportion of rural poor. Although Spain had not yet reached the degree of social differentiation seen in other advanced industrial democracies in Western Europe, it was clearly moving in the same direction. As in other areas, however, Spain was modernizing in a distinctly Iberian style, retaining some important social characteristics from an earlier era.

By the mid-1980s, the structure of Spain's economy had come increasingly to resemble that of most other West European countries, as evidenced by changes in the distribution of its work force. Throughout the twentieth century there was a steady decline in the proportion of workers employed in agriculture and other primary sectors (from 60.4 percent of the work force in 1900 to 14.4 percent in 1981); a gradual increase in the proportion employed in the services sector (from 15.1 percent to 40.4); and an increase in the proportion employed in industry and construction, until the 1970s when the percentage leveled off and even declined slightly (13.6 percent in 1900, to 37.4 percent in 1970, then 35.3 percent in 1981). (The residual percentages are accounted for by "other" and "unclassified" economic activities.) Changes were especially dramatic during the fifteen-year period from 1965 to 1980. According to a 1983

study, the Spanish work force consisted of 15 percent in agriculture, 33 percent in industry, 25 percent in non-information-related services, and 27 percent in the information sector (compared with 40 percent in the United States and 30 percent or more in West Germany, in France, and in Britain).

There were, however, worrisome signs that certain key sectors of the work force had not kept pace with the country's transition to advanced industrial status. In 1980 administrative and managerial workers, the key to guiding a complex industrial economy, constituted a tiny portion—only 1.3 percent—of Spain's work force, which put Spain on a par with Uruguay and Brazil. Professional and technical workers, the sector relied upon to provide basic and applied research for a country's industrial base, constituted only 5.9 percent of the work force, which placed Spain on about the same level as Mexico and the Philippines. In both cases, among West European nations, Spain was close to only Greece and Portugal. The rest of Western Europe was still far ahead in these crucial areas.

Changes in Spain's economic structure have been reflected in class structure changes as well. By 1970 Spanish sociologist Amando de Miguel had reported that the country's occupation structure was dominated by a growing middle (including upper-middle) class of administrators, service personnel, and clerical workers. On the basis of the 1970 census, de Miguel found that fully 40 percent of Spain's working population was employed in the category of "nonmanual and service workers"; the country's industrial labor force, or blue collar-workers, constituted 35 percent of the work force; the rural workers (including employed farm workers, day workers, and farm owners) accounted for 25 percent (still high by West European standards). The occupational structure differed markedly among Spain's various regions. In the more industrial, urbanized north and northeast (the Basque Country and Catalonia), white-collar service and administrative workers made up about 45 percent of the work force; industrial blue collar workers, about 47 percent; and rural workers, about 8 percent. In the more traditional, rural and agrarian south and west of the country (Andalusia and Extremadura), the relative percentages were 35 percent white-collar, 30 percent blue-collar, and 35 percent rural. A decade later, American political scientists Richard Gunther, Giacomo Sani, and Goldie Shabad studied the class implications of the 1979 Spanish elections and discovered, first, that the country's class structure had become more differentiated in the preceding decade, and second, that the upper and middle classes had grown in size, while the urban and rural working classes had contracted. Gunther and his associates found that 12.6 percent of their respondents classified themselves in the highest status group

(entrepreneurs, professionals, large landowners, etc.), an increase from 5.2 percent in the de Miguel study. Another 36.3 percent could be classified as upper-middle class (these in technical professions, small businessmen, mid-level public and private employees), up from 15.4 percent in 1970; and 16.3 percent fell within the lower-middle class category (sales and supervisory personnel and small farmers), down from 21.8 percent a decade earlier. Thus, the number included in the general category of middle class rose from about one-third of the work force to about one-half in a decade. As a percentage of the total, blue-collar workers and rural farm workers fell from about 60 percent in 1970 to only 33.3 percent in Gunther's 1979 study.

Later studies, using less precisely differentiated categories, found that many Spaniards continued to classify themselves as working-class people regardless of the color of their collar. In one 1979 study, done by American political scientists Peter McDonough and Samuel Barnes and their Spanish colleague Antonio López Piña, 48 percent of their respondents classified themselves as "working class"; 36 percent, as "low-middle"; and 16 percent, as "middle-high." In a 1984 study, these same three researchers reported that self-classified working-class respondents were 55.9 percent of the sample, middle-class people were 33 percent, and upper-class subject were 11.1 percent. Allowing for a considerable degree of overlap and ambiguity in answers across surveys, particularly in aggregating the responses for working class and lower-middle class into a single statistic, it still seems clear that Spanish society had become more middle class and less poor over the decade and a half between 1970 and 1985.

Data on class structure from 1984 have been analyzed in a study by Spanish sociologists Salustiano del Campo and Manuel Navarro, who divided the Spanish work force into two broad groups: salaried employees, constituting approximately 68 percent of the work force, and owners, managers, and professionals, making up about 31 percent. The first group was further divided into nonmanual and service workers, who accounted for about 34 percent of the work force, and blue-collar workers, who also constituted approximately 34 percent. The second group had the categories of capitalist business class, with about 5 percent of the work force; and the liberal professional class (e.g., attorneys) and self-employed small business owners, merchants, and small farmers, who accounted for approximately 27 percent.

Although Spaniards experienced many of the same social and class cleavages that occurred in other advanced industrial societies, they retained a distinctive commitment to greater income

equality, an egalitarian value that stands out in comparison with their wealthier and more industrialized neighbors. In a 1985 study, McDonough, Barnes, and López Piña asked their respondents, "Do you think there should be a great deal of difference, some difference, or almost no difference in how much people in different occupations earn?" The proportions of respondents answering "a great difference" were 3 percent from the working class, 4 percent from the middle class, and 7 percent from the upper class, compared with 26 percent, 32 percent, and 49 percent from comparable classes in the United States. Thus, McDonough and his colleagues call our attention to "the salient fact [of] the high level of egalitarian/populist expectations in Spain. The pattern is understandable in light of the poverty which for many Spaniards is not a vicarious memory and in view, as well, of the paternalistic legacy of Latin Catholicism. On the one hand, then, economic and social issues are probably not as conflict-ridden as caricatures of Spanish politics imply—relative to the symbolic-moral issues, for example. On the other hand, the public seems to entertain high expectations about the benefits and social equity to be delivered by the government."

According to data from 1980 and 1981, Spain's household income was distributed in the following pattern: the poorest quintile of the population received 6.9 percent; the second poorest, 12.5; the middle quintile, 17.3; the fourth quintile, 23.2; the richest quintile, 40.0; and the richest decile, 24.5. The ratio between the richest and the poorest quintiles was 5.8:1, a fairly equitable distribution pattern compared with other advanced industrial West European democracies. The Spanish pattern of income distribution did not differ dramatically from that of advanced welfare states like Sweden or Denmark. The crucial difference was, of course, that in those countries there was much more income to distribute. Outside Spain's urban areas, in the small and mid-sized towns where more than a quarter of the country's population still lived, there were two distinctive models of class structure and conflict. In the small villages of Castile and the north, where land was more evenly distributed, and where the land was worked by its owners, social cleavages were much less acute, and class conflict was much less strident. There, the sense of community was reinforced by the still-powerful forces of kinship and religion. Moreover, modernization, principally by raising the salaries of laborers and by diminishing the gap in material possessions between rich and poor, had erased the few class or status differences that had existed previously. As the ownership of automobiles, refrigerators, and television sets spread to practically the entire population, upper-class status became largely meaningless in these small villages.

In the larger agro-towns of the south, however, a totally different picture was found. In Andalusia, land was distributed in a highly unequal way and the land was worked principally by day laborers who owned no land and who seldom even lived on it. In these towns, class structure was very sharply delineated and class conflict was aggressive and often violent. Traditional values of kinship and religion failed to diffuse these conflicts, and the towns and villages were held together by what anthropologist David Gilmore calls the "coercive integration" imposed by external forces, primarily the government in Madrid.

Social Values and Attitudes

After the restoration of democracy, the changes in everyday Spanish life were as radical as the political transformation. These changes were even more striking when contrasted with the values and social practices that had prevailed in Spanish society during the Franco years, especially during the 1940s and the early 1950s. In essence, Spanish social values and attitudes were modernized at the same pace, and to the same degree, as the country's class structure, economic institutions, and political framework.

To say that Spanish social values under Franco were conservative would be a great understatement. Both public laws and church regulations enforced a set of social strictures aimed at preserving the traditional role of the family, distant and formal relations between the sexes, and controls over expression in the press, film, and the mass media, as well as over many other important social institutions. By the 1960s, however, social values were changing faster than the law, inevitably creating tension between legal codes and reality. Even the church had begun to move away from its more conservative positions by the latter part of the decade. The government responded haltingly to these changes with some new cabinet appointments and with somewhat softer restrictions on the media. Yet underneath these superficial changes, Spanish society was experiencing wrenching changes as its people came increasingly into contact with the outside world. To some extent, these changes were due to the rural exodus that had uprooted hundreds of thousands of Spaniards and had brought them into new urban social settings. In the 1960s and the early 1970s, however, two other contacts were also important: the flow of European tourists to "sunny Spain" and the migration of Spain's workers to jobs in France, Switzerland, and West Germany.

One of the most powerful influences on Spanish social values has been the country's famous "industry without smokestacks"—tourism. In the years before the Civil War, tourists numbered only

about one quarter of a million, and it took more than a decade after World War II for them to discover Spain's climate and low prices. When they finally did, the trickle of tourists became a flood (see table 6, Appendix). The leading countries sending tourists to Spain were France, Portugal, Britain, and West Germany. Of course tourists brought much more than British pounds or German deutsche marks; they also brought the democratic political and social values of northern Europe.

The other population flow that affected Spanish cultural values involved Spanish workers who returned from having worked in the more industrialized and more liberal countries of Western Europe. The exact number of returning migrants fluctuated greatly from year to year, depending on economic conditions in Spain and in the rest of Europe. The peak period was 1965 to 1969, when more than 550,000 returned; but nearly 750,000 returned during the decade of the 1970s. The return flow ebbed somewhat during the 1980s, when only about 20,000 came back per year. The principal problems encountered by these returning Spaniards were both economic (finding another job) and cultural (what the Spanish refer to as "social reinsertion," or becoming accustomed again to the Spanish ways of doing things). Many of the returnees came back with a small sum of money that they invested in a small business or shop, from which they hoped to advance up the economic ladder. Above all, they brought back with them the cultural habits and tastes of France, West Germany, and Switzerland, contributing thereby to the cultural transformation of post-Franco Spain.

Outsiders who still thought of Spain as socially restrained and conservative were surprised to note the public changes in sexual attitudes in the country since the late 1970s. Once state censorship was relaxed on magazines and films in 1976 and in 1978, the market for pornography flourished. In a country where *Playboy* was outlawed until 1976, ten years later this and other foreign "adult" magazines were already considered tame and were outsold by domestic magazines. Throughout Spain's large cities, uncensored sex films were readily available in government-licensed theaters, and prostitutes and brothels freely advertised their services in even the most serious press. Despite these attention-getting changes in public attitudes, however, Spanish government policy for some years remained quite distant from social practice in two important areas related to private sexual behavior, contraception and abortion.

During the Franco years, the ban on the sale of contraceptives was complete, at least in theory, even though the introduction of the pill had brought artificial contraception to at least half a million Spanish women by 1975. The ban on the sale of contraceptives

was lifted in 1978, but no steps were taken to ensure that they were used safely or effectively. Schools offered no sex education courses, and family planning centers existed only where local authorities were willing to pay for them. The consequence of a loosening of sexual restraints, combined with a high level of ignorance about the technology that could be substituted in their place, was a rise in the number of unwanted pregnancies, which led to the second policy problem—abortion.

Illegal abortions were fairly commonplace in Spain even under the dictatorship. A 1974 government report estimated that there were about 300,000 such abortions each year. Subsequently, the number rose to about 350,000 annually, which gave Spain one of the highest ratios of abortions to live births among advanced industrial countries. Abortion continued to be illegal in Spain until 1985, three years after the Spanish Socialist Workers' Party (Partido Socialista Obrero Español—PSOE) came to power on an electoral platform that promised a change. Even so, the law legalized abortions only in certain cases: pregnancy resulting from rape, which must be reported to the authorities prior to the abortion; reasonable probability of a malformed fetus, attested to by two doctors; or to save the mother's life, again in the opinion of two physicians. In the 1980s, this was as far as public opinion would permit the state to go; surveys showed that a clear majority of the electorate remained opposed to abortion on demand.

Perhaps the most significant change in Spanish social values, however, involved the role of women in society, which, in turn, was related to the nature of the family. Spanish society, for centuries, had embraced a code of moral values that established stringent standards of sexual conduct for women (but not for men); restricted the opportunities for professional careers for women, but honored their role as wives and (most important) mothers; and prohibited divorce, contraception, and abortion, but permitted prostitution. After the return of democracy, the change in the status of women was dramatic. One significant indicator was the changing place of women in the work force. In the traditional Spanish world, women rarely entered the job market. By the late 1970s, however, 22 percent of the country's adult women, still somewhat fewer than in Italy and in Ireland, had entered the work force. By 1984 this figure had increased to 33 percent, a level not significantly different from Italy or the Netherlands. Women still made up less than one-third of the total labor force, however, and in some important sectors, such as banking, the figure was closer to one-tenth. A 1977 opinion poll revealed that when asked whether a woman's place was in the home only 22 percent of young people in Spain agreed,

compared with 26 percent in Britain, 30 percent in Italy, and 37 percent in France. The principal barrier to women in the work place, however, was not public opinion, but rather such factors as a high unemployment rate and a lack of part-time jobs. In education, women were rapidly achieving parity with men, at least statistically. In 1983, approximately 46 percent of Spain's university enrollment was female, the thirty-first highest percentage in the world, and comparable to most other European countries.

During Franco's years, Spanish law discriminated strongly against married women. Without her husband's approval, referred to as the *permiso marital*, a wife was prohibited from almost all economic activities, including employment, ownership of property, or even travel away from home. The law also provided for less stringent definitions of such crimes as adultery and desertion for husbands than it did for wives. Significant reforms of this system were begun shortly before Franco's death, and they have continued at a rapid pace since then. The *permiso marital* was abolished in 1975; laws against adultery were cancelled in 1978; and divorce was legalized in 1981. During the same year, the parts of the civil code that dealt with family finances were also reformed.

During the Franco years, marriages had to be canonical (that is, performed under Roman Catholic law and regulations) if even one of the partners was Catholic, which meant effectively that all marriages in Spain had to be sanctioned by the church. Since the church prohibited divorce, a marriage could be dissolved only through the arduous procedure of annulment, which was available only after a lengthy series of administrative steps and was thus accessible only to the relatively wealthy. These restrictions were probably one of the major reasons for a 1975 survey result showing that 71 percent of Spaniards favored legalizing divorce; however, because the government remained in the hands of conservatives until 1982, progress toward a divorce law was slow and full of conflict. In the summer of 1981, the Congress of Deputies (lower chamber of the Cortes, or Spanish Parliament) finally approved a divorce law with the votes of about thirty Union of the Democratic Center (Unión de Centro Democrático—UCD) deputies who defied the instructions of party conservatives. As a consequence, Spain had a divorce law that permitted the termination of a marriage in as little as two years following the legal separation of the partners. Still, it would be an exaggeration to say that the new divorce law opened a floodgate for the termination of marriages. Between the time the law went into effect at the beginning of September 1981, and the end of 1984, only slightly more than 69,000 couples had availed themselves of the option of ending their marriages, and the

number declined in both 1983 and 1984. There were already more divorced people than this in Spain in 1981 before the law took effect.

Despite these important gains, observers expected that the gaining of equal rights for women would be a lengthy struggle, waged on many different fronts. It was not until deciding a 1987 case, for example, that Spain's Supreme Court held that a rape victim need not prove that she had fought to defend herself in order to verify the truth of her allegation. Until that important court case, it was generally accepted that a female rape victim, unlike the victims of other crimes, had to show that she had put up "heroic resistance" in order to prove that she had not enticed the rapist or otherwise encouraged him to attack her.

Another important sign of cultural change involved the size and the composition of the family. To begin with, the marriage rate (the number of marriages in proportion to the adult population) has declined steadily since the mid-1970s. After holding steady at 7 per 1,000 or more for over 100 years, the marriage rate declined to about 5 per 1,000 in 1982, a level observed in West Germany and in Italy only a few years earlier. Fewer people were marrying in Spain, and the family structure was changing dramatically as well. In 1970, of the 8.8 million households recorded in the census, 59 percent consisted of small nuclear families of two to five persons, 15 percent were somewhat larger nuclear families that included other relatives as well as guests, and 10.6 percent were households of unrelated individuals who had no nuclear family. Large families of more than three children were only 9 percent of the total. In a 1975 municipal survey that dealt only with families, the following results were registered: couples without children constituted 16 percent of all families; and two-children families made up 34 percent of the total. Although the number of family units increased more than 20 percent between 1970 and 1981, the average size of the family decreased by about 10 percent, from 3.8 persons to 3.5. The typical extended family of traditional societies (three generations of related persons living in the same household) hardly appeared at all in the census data. Clearly, that characteristic of Spanish cultural values was a thing of the past.

Religion

Spain, it has been observed, is a nation-state born out of religious struggle between Catholicism and, in turn, Islam, Judaism, and Protestantism. After centuries of the Reconquest, in which Christian Spaniards fought to drive Muslims from Europe, the Inquisition sought to complete the religious purification of the Iberian Peninsula by driving out Jews, Protestants, and other

nonbelievers (see Ferdinand and Isabella, ch. 1). The Inquisition was finally abolished only in the 1830s, and even after that religious freedom was denied in practice, if not in theory. Catholicism became the state religion in 1851, when the Spanish government signed a Concordat with the Vatican that committed Madrid to pay the salaries of the clergy and to subsidize other expenses of the Roman Catholic Church. This pact was renounced in 1931, when the secular constitution of the Second Republic imposed a series of anticlerical measures that threatened the church's very existence in Spain and provoked its support for the Franco uprising five years later (see Republican Spain, ch. 1).

The advent of the Franco regime saw the restoration of the church's privileges. During the Franco years, Roman Catholicism was the only religion to have legal status; other worship services could not be advertised, and only the Roman Catholic Church could own property or publish books. The government not only continued to pay priests' salaries and to subsidize the church, but it also assisted in the reconstruction of church buildings damaged by the war. Laws were passed abolishing divorce and banning the sale of contraceptives. Catholic religious instruction was mandatory, even in public schools. Franco secured in return the right to name Roman Catholic bishops in Spain, as well as veto power over appointments of clergy down to the parish priest level. In 1953 this close cooperation was formalized in a new Concordat with the Vatican that granted the church an extraordinary set of privileges: mandatory canonical marriages for all Catholics; exemption from government taxation; subsidies for new building construction; censorship of materials the church deemed offensive; the right to establish universities, to operate radio stations, and to publish newspapers and magazines; protection from police intrusion into church properties; and exemption of clergy from military service (see Foreign Policy under Franco, ch. 1).

The proclamation of the Second Vatican Council in favor of the separation of church and state in 1965 forced the reassessment of this special relationship. In the late 1960s, the Vatican attempted to reform the church in Spain by appointing liberals as interim, or acting, bishops, thereby circumventing Franco's stranglehold on the country's clergy. In 1966 the Franco regime passed a law that freed other religions from many of the earlier restrictions, although it also reaffirmed the privileges of the Catholic Church. Any attempt to revise the 1953 Concordat met the dictator's rigid resistance.

In 1976, however, King Juan Carlos de Borbón unilaterally renounced the right to name the bishops; later that same year,

Madrid and the Vatican signed a new accord that restored to the church its right to name bishops, and the church agreed to a revised Concordat that entailed a gradual financial separation of church and state. Church property not used for religious purposes was henceforth to be subject to taxation, and gradually, over a period of years, the church's reliance on state subsidies was to be reduced. The timetable for this reduction was not adhered to, however, and the church continued to receive the public subsidy through 1987 (US\$110 million in that year alone). Indeed, by the end of 1987 issues such as financing and education had not been definitively resolved, and the revised Concordat still had not been agreed to in final form, even though the 1953 Concordat had expired in 1980.

It took the new 1978 Constitution to confirm the right of Spaniards to religious freedom and to begin the process of disestablishing Catholicism as the state religion (see The 1978 Constitution, ch. 4). The drafters of the Constitution tried to deal with the intense controversy surrounding state support of the church, but they were not entirely successful. The initial draft of the Constitution did not even mention the church, which was included almost as an afterthought and only after intense pressure from the church's leadership. Article 16 disestablishes Roman Catholicism as the official religion and provides that religious liberty for non-Catholics is a state-protected legal right, thereby replacing the policy of limited toleration of non-Catholic religious practices. The article further states, however, that "The public authorities shall take the religious beliefs of Spanish society into account and shall maintain the consequent relations of cooperation with the Catholic Church and the other confessions." In addition, Article 27 also aroused controversy by appearing to pledge continuing government subsidies for private, church-affiliated schools. These schools were sharply criticized by Spanish Socialists for having created and perpetuated a class-based, separate, and unequal school system. The Constitution, however, includes no affirmation that the majority of Spaniards are Catholics or that the state should take into account the teachings of Catholicism.

Government financial aid to the church was a difficult and contentious issue. The church argued that, in return for the subsidy, the state had received the social, health, and educational services of tens of thousands of priests and nuns who fulfilled vital functions that the state itself could not have performed. Nevertheless, the revised Concordat was supposed to replace direct state aid to the church with a scheme that would allow taxpayers to designate a certain portion of their taxes to be diverted directly to the church. Through 1985, taxpayers were allowed to deduct up to 10 percent

from their taxable income for donations to the Catholic Church. Partly because of the protests against this arrangement from representatives of Spain's other religious groups, the tax laws were changed in 1987 so that taxpayers could choose between giving 0.52 percent of their income tax to the church and allocating it to the government's welfare and culture budgets. For three years, the government would continue to give the church a gradually reduced subsidy, but after that the church would have to subsist on its own resources. The government would continue, however, its program of subsidizing Catholic schools, which in 1987 cost the Spanish taxpayers about US\$300 million, exclusive of the salaries of teachers, which were paid directly by the Ministry of Education and Science (see Education, this ch.).

Anyone visiting Spain must be constantly aware of the church's physical presence in buildings, museums, and religious celebrations. In a population of about 39 million, the number of non-Catholics was probably no more than 300,000. About 250,000 of these were of other Christian faiths, including several Protestant denominations, Jehovah's Witnesses, and Mormons. The number of Jews in Spain was estimated at about 13,000. More than 19 out of every 20 Spaniards were baptized Catholics; about 60 percent of them attended Mass; about 30 percent of the baptized Catholics did so regularly, although this figure declined to about 20 percent in the larger cities. As of 1979, about 97 percent of all marriages were performed according to the Catholic religion. A 1982 report by the church claimed that 83 percent of all children born the preceding year had been baptized in the church.

Nevertheless, there were forces at work bringing about fundamental changes in the place of the church in society. One such force was the improvement in the economic fortunes of the great majority of Spaniards, making society more materialistic and less religious. Another force was the massive shift in population from farm and village to the growing urban centers, where the church had less influence over the values of its members. These changes were transforming the way Spaniards defined their religious identity.

Being a Catholic in Spain had less and less to do with regular attendance at Mass and more to do with the routine observance of important rituals such as baptism, marriage, and burial of the dead. A 1980 survey revealed that, although 82 percent of Spaniards were believers in Catholicism, very few considered themselves to be very good practitioners of the faith. In the case of the youth of the country, even smaller percentages believed themselves to be "very good" or "practicing" Catholics.

In contrast to an earlier era, when rejection of the church went along with education, in the late 1980s studies showed that the more educated a person was, the more likely he or she was to be a practicing Catholic. This new acceptance of the church was due partly to the church's new self-restraint in politics. In a significant change from the pre-Civil War era, the church had accepted the need for the separation of religion and the state, and it had even discouraged the creation of a Christian Democratic party in the country.

The traditional links between the political right and the church no longer dictated political preferences; in the 1982 general election, more than half of the country's practicing Catholics voted for the PSOE. Although the Socialist leadership professed agnosticism, according to surveys between 40 and 45 percent of the party's rank-and-file members held religious beliefs, and more than 70 percent of these professed to be Catholics. Among those entering the party after Franco's death, about half considered themselves Catholic.

One important indicator of the changes taking place in the role of the church was the reduction in the number of Spaniards in Holy Orders. In 1984 the country had more than 22,000 parish priests, nearly 10,000 ordained monks, and nearly 75,000 nuns. These numbers concealed a troubling reality, however. More than 70 percent of the diocesan clergy was between the ages of 35 and 65; the average age of the clergy in 1982 was 49 years. At the upper end of the age range, the low numbers reflected the impact of the Civil War, in which more than 4,000 parish priests died. At the lower end, the scarcity of younger priests reflected the general crisis in vocations throughout the world, which began to be felt in the 1960s. Its effects were felt especially acutely in Spain. The crisis was seen in the decline in the number of young men joining the priesthood and in the increase in the number of priests leaving Holy Orders. The number of seminarists in Spain fell from more than 9,000 in the 1950s to only 1,500 in 1979, even though it rose slightly in 1982 to about 1,700.

Changes in the social meaning of religious vocations were perhaps part of the problem; having a priest in the family no longer seemed to spark the kind of pride that family members would have felt in the past. The principal reason in most cases, though, was the church's continued ban on marriage for priests. Previously, the crisis was not particularly serious because of the age distribution of the clergy. As the twentieth century nears an end, however, a serious imbalance will appear between those entering the priesthood and those leaving it. The effects of this crisis were already visible in the decline in the number of parish priests in Spain—from 23,620 in 1979 to just over 22,000 by 1983.



Salamanca Cathedral
Courtesy James Scofield

Another sign of the church's declining role in Spanish life was the diminishing importance of the controversial secular religious institute, Opus Dei (Work of God). Opus Dei was a worldwide lay religious body that did not adhere to any particular political philosophy and was allegedly nonpolitical. The organization was founded in 1928 by a Spanish priest, José María Escrivá de Balaguer y Albas, as a reaction to the increasing secularization of Spain's universities, and higher education continued to be one of the institute's foremost priorities. Despite its public commitment to a non-political stance, Opus Dei members rose to occupy key positions in the Franco regime, especially in the field of economic policy-making in the late 1950s and the early 1960s. Opus Dei members dominated the group of liberal technocrats who engineered the opening of Spain's autarchic economy after 1957. After the 1973 assassination of Prime Minister Luis Carrero Blanco (often rumored to be an Opus Dei member), however, the influence of the institute declined sharply. The secrecy of the order and its activities and the power of its myth helped it maintain its strong position of influence in Spain; but there was little doubt that, compared with the 1950s and the 1960s, Opus Dei had fallen from being one of the country's chief political organizations to being simply one among many such groups competing for power in an open and pluralist society (see Political Interest Groups, ch. 4).

In the late 1980s, however, the church showed signs of becoming

more conservative than liberal. After years of being the minority in the church hierarchy, conservative Catholic leaders had reasserted their power and influence, and they were beginning to wrest power from the liberals. One telling indicator of the return of conservatives to control within the church was the battle in late 1987 over the editorial policy of the leading Spanish Catholic weekly magazine, *Vida Nueva*, which ended with the liberal editor's being forced out of office and his being replaced with a conservative.

Education

In the 1980s, Spain spent about 8 percent of its national budget on education. In 1983 education expenditures amounted to only about US\$120 per capita, which placed Spain forty-fifth in the world in per capita spending on education, far behind most other countries in Western Europe. In the government's 1988 budget, expenditures on education were scheduled to increase by 18 to 20 percent over 1987, to about US\$170 per person. Nevertheless, rapid increases in other areas meant that spending on education declined as a proportion of the total budget, to about 6.7 percent. This level of expenditure was not only too little in an advanced industrial society, but it was also distributed in a way that was skewed toward the expensive private-sector schools.

In the 1970s, the Ministry of Education and Science began to confront the paradox that, although the General Law on Education (Ley General de Educación—LGE) made primary education free and obligatory, the reality was that the state could not build schools or hire teachers fast enough to keep up with the demand. The consequence was a widening gap between the rising student population and the number of places available for them. The solution lay in the short run in state subsidies to private schools that enabled them to offer basic primary education free or for a reduced fee. Thus, although the government could claim that by 1977 there were enough places in school to go around, in some major cities, such as Madrid, more than half were provided by private schools.

By the early 1980s, about 40 percent of all schools were private. Of these, just over half were run by the Roman Catholic Church and enrolled some 1.2 million pupils in primary schools and 230,000 in secondary schools. The remainder of the private schools were operated as profit-making enterprises by secular owners. The religious schools often were highly regarded, and the instruction they offered probably was superior to that provided by the state-run institutions. The other private-sector schools varied greatly in quality. Although a few were excellent, many others were seriously

underfunded and poorly staffed, so that private secular education was not automatically associated with elite education as was the case in some other West European countries.

Between 1977 and 1982, the government's annual subsidy to private education nearly tripled. As a result, by the time the center-right coalition UCD government left office in late 1982, most primary schools were free. Unfortunately, this policy had to be paid for by drawing on funds available for state schools, with a consequent loss of teachers and instructional quality in the public system.

The Socialist government that came to power in 1982 sought to soften the conflict between private (largely Catholic) schools and public schools by integrating the private schools into the country's overall education system. To accomplish this goal, in 1984 the government passed the Organic Law on the Right to Education (*Ley Orgánica del Derecho a la Educación—LODE*), which established three categories of schools. Free public schools were accountable to either the Ministry of Education and Science or to the governments of the autonomous communities. Instruction was subject to the principles of the Constitution, in that it had to be ideologically neutral and it had to respect diverse religious beliefs. The second category, private schools, usually secular, could be organized by any person or group as long as constitutional limits were observed. These schools were to receive no state assistance so that all costs were borne by the students' families. The third category, mixed schools, usually religious, were financed by the state. Nevertheless, the director and the faculty were chosen by a school council, or *consejo escolar* (pl., *consejos escolares*), made up of representatives of the school's diverse constituencies, including parents and faculty. Although the state did not try to control this subsidized sector, the *consejos* were a clear signal that it intended increased democratization in this all important realm of society. In all three models, students enjoyed the right not to receive instruction that violated their religious beliefs.

As a result of these educational reforms, during the two decades after 1965 Spain had made great strides, enrolling essentially the entire population in the age-group of the primary grades and reducing the country's illiteracy to a nominal 3 to 6 percent. The really impressive gains, however, were in the secondary grades and in higher education, especially for women. In 1965 only 38 percent of Spain's youth were enrolled in secondary schools, one of the lowest percentages in Western Europe and only about 60 percent of the average of all advanced industrial countries. Only 29 percent of the country's females, less than half the industrial countries' average, were enrolled in the secondary grades. By 1985, an

estimated 89 percent of all students and 91 percent of females were attending secondary schools. These figures conformed to the average of the industrial democracies and were noticeably higher than those in Italy, Britain, or Sweden. At the university level, enrollment more than quadrupled in percentage terms, from 6 percent in 1965 to 26 percent in 1985, a level about 30 percent lower than the industrial countries' average, but still higher than that of Britain or Switzerland. In 1980 women constituted 40 percent of university enrollment (48 percent in 1984), a level only four to six percentage points behind France, Belgium, and Italy.

Nevertheless, in terms of the school-age population per teacher, Spain still ranked forty-seventh in the world, and in terms of the percentage of school-age population in school, it ranked twenty-second. In this area, demographics were working in favor of Spain's educational planners, however. Spain's "baby boom" lasted about a decade longer—until the mid-1970s—than similar phenomena did in the rest of Europe, but after 1977 the birth rate fell at a faster rate than it did in any other country in Western Europe. As a result, planners expected that the school population pressures of the 1960s and the 1970s would soon abate, giving the country's educational system some much-needed breathing space.

The minister of education and science through most of the 1980s, José María Maravall Herrero, has written that the country's educational system must fulfill four important functions: to promote the cohesion of the nation (i.e., cultural integration); to contribute to the integration of society (i.e., social integration); to foster equality of opportunity (i.e., economic integration); and to socialize citizens to hold democratic values (i.e., political integration). Spanish political elites recognized that, despite the remarkable political and economic transformation of their country, they were still presiding over a society split by cultural, social, economic, and political differences that had endured for generations. The country's educational system did little to overcome these divisions until the restoration of democracy; since then, education has become one of the principal instruments in national integration.

Primary and Secondary Education

From 1970 until 1984, Spain's education system was based entirely on the LGE, often referred to as the Villar Palasi Law after the minister of education and science at the time, José Luis Villar Palasi. This law was the Franco government's attempt to modernize Spain's public education system. Although it has been added to, and modified by, the LODE since the return of democracy, the structure it established was still nearly completely intact in the

late 1980s (see fig. 9). The law provided that primary education (Educación General Básica—EGB) would be free and compulsory from the ages of six to fourteen. In the 1986–87 school year, there were about 185,000 primary institutions that provided instruction to about 6.6 million students, 70 percent of whom were in state schools. Secondary education (Bachillerato Unificado Polivalente—BUP) lasted from age fourteen to sixteen and terminated in the state graduation examination, the *bachillerato*. Those who completed the *bachillerato* could then enroll in an additional one-year program (Curso de Orientación Universitaria—COU) to prepare themselves for the university entrance exams. In the 1986–87 school year, more than 2,600 secondary schools enrolled about 1.2 million students. Studies at all institutions were organized around an academic year that ran from about mid-September to the middle or latter part of June.

Secondary school attendance was optional, but if students did not go on to secondary school, they had to enroll in vocational training for the period when they were fifteen to sixteen years of age. Students in the vocational program (Formación Profesional—FP) generally completed their studies with an equivalent exam, the *labor bachillerato*. In the 1986–87 school year, about 2,200 vocational centers provided instruction to more than 700,000 students. The FP was divided into two two-year phases. The first, which was obligatory for everyone who did not enter the BUP, provided a general introduction to applied vocations, such as clerical work or electronics, while the second phase offered more specialized vocational training. Special education for the physically and the mentally impaired was provided in schools run by both state and private organizations.

Perhaps sensing that this model of education imposed a choice between academic and vocational studies on children at too young an age, the government began to experiment in the 1980s with an alternate model that kept students on a single, unified track until the age of sixteen. An equally troublesome aspect of the system, however, was the irreversibility of the choice between BUP and FP. Once a student had chosen the FP program, it was impossible to go on to the university, so many youngsters chose the BUP even if, at the time, they were more suited for vocational training or were better able to use the more practical skills taught in the FP. This dimension of the educational system, plus the traditional disdain of many Spaniards toward manual labor, caused the BUP to enroll nearly twice as many students as the FP. Observers believed, however, that if the economic slump of the 1980s continued to shrink the job market, the balance might shift toward the FP because the acquisition of a marketable skill might look more

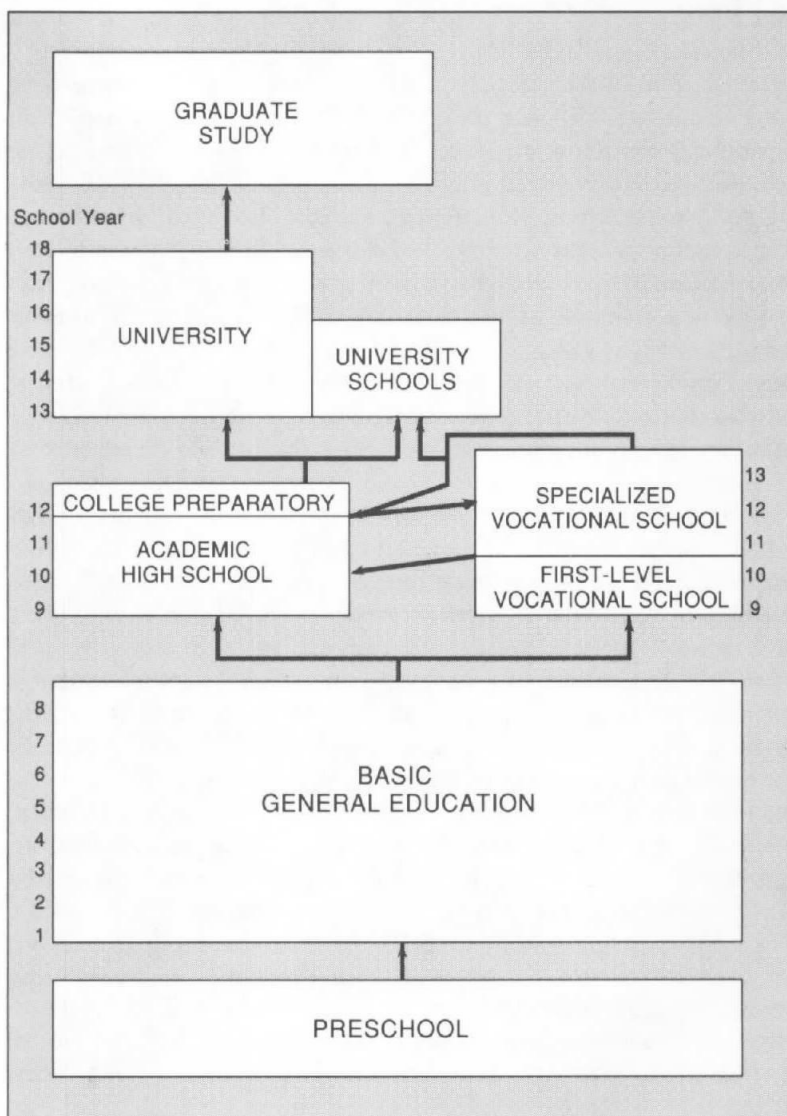


Figure 9. Spain's Education System in the 1980s

important than the gaining of academic qualifications. Indeed, between the 1979-80 and 1986-87 academic years, enrollment in the vocational programs increased nearly 35 percent (from 515,000 to 695,000), while enrollment in the academic program grew by only about 8 percent (from 1.055 million to 1.142 million).

Another major problem with Spanish education was the continued high failure rate. The standards set for graduation from the EGB were not especially demanding, yet between one-fifth and one-third of all students failed to complete the course of study. Failure rates ran much higher in state schools than in private institutions. Critics blamed principally the poor quality of instruction and thus, indirectly, teacher training. In 1981 the government published a revised EGB curriculum that set forth goals for both teachers and students. This revised curriculum was not adopted easily or without resistance, and there were those who argued that it was too rigid and centralized and that it placed too much emphasis on rote memory.

The uneven spread of nursery schools contributed to the high failure rate in later years. In the 1960s and the 1970s, pre-school education began to gain in popularity to such an extent that, in the mid-1980s, some 80 percent of Spain's children between the ages of four and six went to nursery schools (1.3 million in 1986-87). Many primary teachers thus assumed that their students had completed a year or two of pre-school education. About one-third of the 39,000 nursery schools in operation in the 1986-87 school year were still in the private sector, however, and the public nurseries were little more than day-care centers. The effect was to create a disadvantaged student population right from the beginning—one that was likely to persist for many years and to continue to contribute to the high failure rate within the system. The solution—universal, public-supported pre-schools—was not a likely prospect as of the late 1980s.

Another source of deficiencies in the public educational system was the low pay teachers received. Even though teachers' salaries were raised by more than 40 percent between 1983 and 1985, in 1988 the average salary for teachers in the public schools at both the elementary and the secondary levels was still only about US\$15,000 per year. In 1988 more than 200,000 teachers went out on strike to gain a 14 percent pay increase that would have raised their monthly salary by about US\$175. The government put down the strike after street demonstrations led to extensive violence.

Higher Education

In the late 1980s, Spain had thirty-four universities, four of which were run by the Catholic Church (three by Jesuits and one by Opus Dei). Although the Catholic universities enrolled only 30,000 of the country's 900,000 students, they were highly regarded, especially by conservative, middle-class Spaniards, and therefore they exerted an influence in higher education far out of proportion to

their size. The two largest and most respected state universities, the Complutense in Madrid, which by the late 1980s enrolled about 100,000 undergraduates, and the Central in Barcelona, which had about 80,000, together accounted for almost 20 percent of all university students.

Until the 1980s, the universities were under the direct control of the central government's Ministry of Education and Science. In 1983 the Socialist government passed the Law on University Reform (*Ley de Reforma Universitaria—LRU*), which weakened central government control over universities and gave increased autonomy to each public university. Universities were relatively free to offer new programs and to restructure themselves internally so long as they met the qualifications imposed on all state universities. The law also weakened (at least on paper) the control of the universities that had been exercised by the *catedráticos*, the senior professors who held the highly prestigious chairs in each department. The new law provided that control of the universities would shift to the *claudio constituyente* or university council made up of professors of all ranks, as well as administrators, staff, and occasionally, for certain purposes, students.

The university system offered two distinct tracks that emphasized either academic or vocational subjects. Students could pursue a five-year or a six-year course of study in the liberal and professional programs offered by the conventional *facultades* (pl.; sing., *facultad*) or departments, or a three-year program at the *escuelas universitarias*, which offered training in nursing, teaching, and other less elite professions. Not surprisingly, the degrees offered by the *escuelas* usually had a lower status than those given in the more traditional academic programs.

Spain's universities grew even more rapidly during the 1960s than the elementary and secondary schools; enrollments increased from 77,000 to 241,000 between 1960 and 1972. The 1970 General Law on Education prescribed that each student completing the *bachillerato* course should have a university place available to him or to her, but by the mid-1970s the government reintroduced entrance exams to slow the explosive growth of the university system. Growth continued nevertheless, and by the 1986-87 academic year, the universities enrolled about 900,000 students. Of these, about two-thirds were studying in the traditional *facultades* and the rest, in the more applied programs in the *escuelas*.

In the late 1980s, Spain had the second highest ratio of university students to population in Western Europe, yet spending per student was only one-third of the West European average, leading to poorly paid faculty (the average university professor earned

only slightly more than US\$21,000 per year) and inadequate facilities, such as laboratories and libraries. Only a few of the more modern universities had student residences or dormitories; students at the older, urban universities lived at home or in apartments with other students. Instruction emphasized rote memory rather than independent analysis, and university faculties rarely combined research and teaching. In addition, the university system seemed poorly attuned to the needs of the rest of the country because it was preparing far too many young people for career fields already filled to overflowing (medicine, for example) and far too few for the jobs needed in an advanced industrial society, such as those involving computers and information science.

To a much greater degree than was true for elementary and secondary education, higher education tended to perpetuate long-standing social cleavages. Writing in 1985, Minister of Education and Science Maravall observed that 10 years earlier, 66 percent of the children of university-educated parents were able to attend university, while only 3 percent of the children of parents with just a primary education had had this opportunity. In 1980 children of parents in the upper education levels were twenty-eight times more likely to enter a university than were children of unskilled workers. Even after a decade of education reform, most university students depended completely on their parents for support through the end of their studies. The country's high unemployment rate, as well as the tradition that university students did not work while completing their studies, meant that few students could pay their own education costs. The country still lacked programs of scholarships and student subsidies that would enable education expenses to be borne by society as a whole. The result was that a university education was largely the privilege of the middle and the upper classes. To some degree, the same was true of the place of women in higher education. Although in 1984 about 47 percent of the country's university enrollment was female (a figure higher than that in most other countries in Western Europe), relatively few women went on to become university professors. The majority of university-educated women continued to pursue the professions traditionally open to them, especially pharmacy, journalism, and teaching at the elementary and the secondary levels.

Health and Welfare

According to several summary measures of social welfare, Spain could best be described as being at the low end of the list of advanced industrial countries. One such measure is the Physical Quality of Life Index (PQLI) developed by the Overseas Development Council,

an average of three indices—life expectancy, infant mortality, and literacy. In 1980, on a scale of from 1 to 100, Iceland, Japan, the Netherlands, and Sweden all ranked at the top with scores of 98; Spain was twenty-eighth out of 164 countries—between Puerto Rico and Bulgaria—with a score of 92. Another measure, the Index of Net Social Progress (INSP), developed by Dr. Richard Estes of the University of Pennsylvania, uses data from eleven subindices, including education, health, the status of women, and welfare. On this scale, Spain, with a score of 122 for the 1979–80 period, ranked thirty-seventh out of 107 countries, quite far behind most other West European countries and comparable to several advanced Third World states, such as Mexico and Argentina. This lower rating stemmed from Spain's poor score in the Cultural Diversity Sub-index, where ethnic and linguistic fragmentation caused Spain to fall in the ratings.

Health Conditions and Mortality

On a number of indicators of health care, Spain ranked fairly high among the advanced industrial countries. In both 1965 and 1981, the country had a better population-to-physician ratio than the average of the industrial democracies (800 to 1 versus 860 to 1, respectively, in 1965 and 360 to 1 versus 530 to 1, respectively, in 1981). In 1983, with more than 115,000 physicians, Spain ranked sixth in the world in its ratio of inhabitants to physicians. Despite dramatic strides in adding nursing personnel (causing a decline in the population-to-nurse ratio of from 1,220 to 1 to 280 to 1 in less than 20 years), the country remained near the bottom of the list of advanced industrial countries on this scale. Spain also ranked below most other West European countries in per capita public expenditures on health care—only US\$220 per person in 1983. In 1981 there were in Spain slightly more than 1,000 hospitals and about 194,000 beds, or about 5.4 beds per 1,000 population.

As these figures suggest, the provision of health care in Spain was highly uneven. Even with a high ratio of doctors to inhabitants, the country had still not managed to eradicate such diseases as tuberculosis (more than 9,000 cases in 1983) and typhoid (5,500 cases); and there were still even a few new cases of leprosy reported each year. The root of this problem seems to be the maldistribution of the health care resources of the state's welfare system. Hospitals in one area of the country might be seriously understaffed, while those in other regions lay virtually empty. By and large, the worst-served areas were the workers' suburbs near large cities. One press report cited the neighborhood of Vallecas, near Madrid, where a population of 700,000 had no hospital at all and had only

*View of Mondoñedo,
Lugo Province
Courtesy National
Tourist Office of Spain*



3 doctors in residence, who were reduced to seeing patients at the rate of 1 per minute. A principal reason for understaffing was the system of multiple hospital assignments arranged by physicians to augment their salaries. Although regulations prohibited this practice, many doctors arranged to be on duty at more than one hospital at a time, thereby reducing their effectiveness in meeting patient needs.

In terms of the causes of death, Spain fairly closely resembled other advanced industrial societies, although cancer and heart disease appeared less frequently in Spain than in more industrialized countries. Of the nearly 290,000 deaths registered in 1980, almost half (45.8 percent) were due to a variety of circulatory system problems, principally heart attacks and strokes. The single most prevalent cause of death was malignant neoplasms; about one-fifth (20.2 percent) of all deaths were caused by cancer of one sort or another. About one-tenth (9.2 percent) of all deaths were occasioned by respiratory ailments. (Spaniards were the second heaviest smokers in the European Community—EC, after Greeks. About 40 percent of adults smoked, as did 50 percent of teenagers; the average 14-year-old reportedly smoked 2,700 cigarettes a year.) About 2 percent of deaths were caused by automobile accidents, and about 0.5 percent, by suicides.

In the third quarter of 1987, there were 112 cases of acquired immune deficiency syndrome (AIDS) reported in Spain, bringing

to 620 the total number of Spaniards afflicted by this disease. Although high, the Spanish figure was still less than half that of France, and it was far behind the more than 40,000 cases in the United States. Slightly more than half the AIDS victims contracted the disease through narcotics-related practices; about one-fifth, from homosexual contact; and about one-tenth were hemophiliacs.

During the 1960s and the 1970s, Spain achieved dramatic gains in reducing infant mortality. Between 1965 and 1985, the infant mortality rate dropped from being the highest among the industrial market economies, 38 per 1,000, to only 10 per 1,000 in 1985, which placed it ninth lowest in the world, on a par with other advanced industrial societies. The death rate for children less than 1 year old declined from slightly fewer than 13 per 1,000 in 1975 to fewer than 9 per 1,000 in 1979, and for children less than 5 years of age, it declined from 15 per 1,000 to fewer than 10 per 1,000 in the same period.

Spain also registered some improvement in food consumption during the 1960s and the 1970s, with per capita caloric supply growing by about 1 percent per year (from 2,844 in 1965 to 3,358 in 1985). In 1983 Spain ranked twenty-ninth in the world in calorie supply per capita. Spaniards daily consumed more calories than, or about the same number of calories as, the residents of Britain, France, Finland, Japan, Sweden, or Norway.

Public Safety and Environmental Problems

The reform and improvement of the country's food regulations and inspection procedures were long overdue. In 1981 Spain experienced a major public health disaster, a "toxic syndrome" still unexplained, but believed to be connected with the consumption of rapeseed oil intended for industrial use, but marketed by door-to-door salesmen as olive oil. More than 300 people died from this substance, and hundreds more were permanently disabled.

The rapeseed tragedy was only one of a number of man-made or man-aggravated disasters that Spain has experienced since it crossed the threshold into industrial society. Airplane crashes, train derailments, bus collisions, hotel fires, gas explosions—these and other tragedies were nearly commonplace in Spain. Far more people died in train accidents in Spain, for example, than in any other country in Europe. Spain suffered these disasters largely because of a combination of the advanced technology of an industrializing and urbanizing society, low standards of professional competence and private sector morality (themselves the product of rapid growth), and the state's unwillingness or inability to step in to regulate this increasingly sophisticated and complex society. Two

problems of special importance can be cited here: public health and environmental contamination.

As the rapeseed tragedy illustrates, one of the chief problems in the public health field had to do with food and drink inspection and regulation. Although food containers and additives were analyzed by government chemists, the food and drink themselves were not tested before being put on sale. One report on the subject in the mid-1980s estimated that, in the whole of Spain, there were fewer than 1,000 people working full-time to check the quality of the food and drink in the 225,000 places where they were manufactured, distributed, sold, and consumed. Another check of the 3,000 restaurants, bars, and hotels in Madrid found that 35 percent of the wine, 41 percent of the spirits, and 75 percent of the milk and ice were unfit for human consumption.

Rapid and uncontrolled industrialization and urbanization had left a legacy of air, water, and noise pollution that would take a major government effort many years to correct. The rivers flowing through Spain's major cities, such as Madrid or Bilbao, were little more than open sewers. One survey of Bilbao's Río Nervión showed that 385 factories dumped their untreated effluents into it, and that the oxygen content was only 5 percent compared with the 60 percent needed to sustain fish. In Madrid, air pollution was a major problem during the late 1970s and the early 1980s, when the suspended particle count reached an average of more than 200 micrograms per cubic meter of air, compared with the government's recommended maximum level of 80. Bilbao's atmospheric carbon dioxide level was the highest of all the cities in Western Europe. Air pollution was a problem, because of the heavy automobile traffic (in the late 1970s only seven countries in the world had more registered passenger cars than Spain), oil-fired space heating, and heavy industry.

Although there had been significant improvement in environmental protection in such large cities as Bilbao and Madrid in the late 1980s, the mid-sized industrial cities around the country were still experiencing rising populations and pollution at alarming rates. According to a 1987 study by the Organisation for Economic Co-operation and Development (OECD), Spain was one of Europe's noisiest countries, principally because there were no regulations covering industrial or automobile noise levels. In late 1987, the Ministry of Public Works and City Planning finally drafted several government decrees that, for the first time, set maximum noise levels for industrial and construction machinery, motorcycles, and automobiles, and established new regulations in building codes that would require soundproofing for residences, hospitals, schools, and cultural centers. A survey of 226 firms in Madrid showed that

60 percent of their 165,000 employees were working in noise higher than government-approved limits. In 1988 a government report revealed that Spanish industry was producing 1,700,000 tons of toxic waste material each year, of which only 240,000 tons could be disposed of by burning. When the international agency, the Oslo Convention, denied Spain the right to dump some of these wastes in the North Sea, the government had to store thousands of tons of highly toxic chemicals in warehouses along the coast of the Bay of Biscay because there was no way that they could be released into the environment safely.

Housing

Housing was another area in which Spaniards had to respond to the challenges of dramatic change. During the late 1950s and the 1960s, about 14 percent of the total population changed residence permanently from one part of the country to another, and most of these people lacked suitable housing. One of the most pressing challenges of the government and of the private sector was to find or to build housing for these millions of uprooted people. The government became involved in housing policy relatively late and then only as a source of subsidy for the private sector. The government's 1961 National Housing Plan called for the construction of 4 million new dwellings by 1976. In the hope that home ownership would help dilute the working-class radicalism that had fueled the economic crises of the 1930s, most of these dwellings were to be for sale, not for rent. About half of these residences were built and were financed through the unsubsidized private sector; for most of the remainder, the government subsidized only the lending institution. Thus, government-owned housing accounted for only a very small percentage of the total number of dwellings.

The private construction sector surpassed the target of 4 million new dwellings. In every major city of Spain, slums were replaced by high-rise apartment buildings that ringed the older town centers. Despite this building boom, however, by the time the wave of urban migration had subsided in the 1970s, there were still about 1.5 million people without homes, and the figure was about 230,000 as of the 1981 census. The government's housing policy had produced millions of new homes, but, by relying entirely on the private sector to produce them, the government ensured that new construction would be directed principally toward the growing middle class because there were greater profits to be made on large, expensive dwellings than there were on small, modest ones. The government attempted to offset these market forces by placing ceilings on sale prices and on the size of units to be subsidized, but

the limits they imposed were so high that they did little to enlarge the market for cheap working-class housing. Not only was housing scarce, but much of it was in poor condition. According to the 1980 housing census, of the 6.5 million buildings tallied, one-fifth (1.3 million) had been built before 1900 and another one-fifth, between 1900 and 1940. Only 37 percent could be considered to be relatively modern, having been constructed since 1961. About 70 percent of the available buildings were classified as being in good condition, but nearly 10 percent were categorized as being seriously run down and in need of repair. Some 90 percent of the buildings had running water and indoor toilets, and 94 percent had electricity; but only 20 percent had central hot water service, and only 4 percent had central heating.

The Socialist government elected in 1982 estimated that the country's housing stock must be increased by between 250,000 and 310,000 units each year, if all citizens were to have their own homes by the early 1990s. Still, only about 10 percent of the new dwellings were to be government-built; 200,000 units would continue to be built, financed, and sold, annually, through the private sector. Nevertheless, by the late 1980s many believed that the housing crisis was substantially over, and that Spaniards were within a decade of achieving their goal of minimally acceptable dwellings for all. In terms of quality, however, the people had to continue to live with the legacy of the 1960s construction boom—huge, impersonal apartment complexes; shoddy construction and high maintenance costs; and high purchase costs—for the foreseeable future.

Government Health and Welfare Programs

Following the reform of the government's social services in 1978, all social security benefits were under the supervision of the Ministry of Labor and Social Security. In addition, the Ministry of Health and Consumer Affairs was responsible for public health and health education programs. In the government's 1988 budget, these programs were allocated about US\$22.5 billion, a 9 percent increase over 1987 and about 23.3 percent of the total budget.

Except for unemployment benefits, most social security programs were administered under a single set of institutions created by the 1978 reform to replace the patchwork system of unions, insurance companies, mutual aid associations, and state-run programs that had evolved in haphazard fashion throughout the century. These institutions were not the only welfare system, but they did cover about 80 percent of the population, and they offered a complete range of welfare benefits, including cash payments, medical care,

and social services. The programs were administered by three government agencies, together with the General Social Security Treasury, which was responsible for financial control. Cash payments were administered by the National Social Security Institute (Instituto Nacional de Seguridad Social—INSS); medical care, by the National Health Institute (Instituto Nacional de Salud—INSALUD); and social services, by the National Institute for Social Services (Instituto Nacional de Servicios Sociales—INSERSO). After the advent of the autonomous community system, several autonomous governments sought to have responsibility for social security transferred to their jurisdictions. The health care responsibilities of INSALUD were transferred to the regional government of Catalonia in 1982 and to that of Andalusia in 1983. The Basque Country and Valencia were scheduled to receive their authority in the health field in 1988.

As of 1984, residents had access to a fairly comprehensive program of health insurance coverage, paid for by joint contributions from workers and employers; the state added a subsidy to cover deficits. Sickness benefits ranged between 60 and 75 percent of covered earnings, and maternity benefits amounted to 75 percent of covered earnings, paid both 6 weeks before, and 8 weeks after, childbirth. Medical services of all kinds were provided to patients directly through state-run hospitals and clinics, or through institutions under contract to the state. Pension insurance or retirement coverage was available to all employees in industry, including the service industry, and to their dependents. Benefits were financed by workers, employers, and the state under the same general scheme as that used for health insurance. There were separate systems in effect for sectors that were difficult to cover in this way, including farm workers, domestic servants, seamen, public employees, miners, and so forth. Old-age pensions were payable in most cases at age sixty-five, and they constituted 50 percent of covered earnings (the average of the highest-paid two of the last seven years) plus 2 percent per year of contributions made from eleven to thirty-five years, up to a maximum of 100 percent. Pensions—usually reduced to a certain percentage of the original pension, but equalling 100 percent under certain conditions—were also payable to survivors of the covered worker.

Unemployment insurance has been available in Spain since 1919, but the state has provided benefits to those out of work only since 1961. Insured workers contributed between 1.1 and 6.3 percent of covered earnings according to twelve occupational classes, while employers contributed between 5.2 and 6.3 percent of payroll, and the state added a variable subsidy. Benefits covered the insured

for up to twenty-four months under normal circumstances, and they could range between 60 and 80 percent of covered earnings. Only about 60 percent of the registered unemployed received benefits, however, because the law excluded short-term and casual employees as well as those seeking their first jobs and because agricultural workers were covered under a special program.

During the 1980s, the state's share of funding for social security programs expanded rapidly, while the proportion contributed by employers and employees declined correspondingly. In the 1970s, the state was contributing only 5 percent; however, by the 1980s the figure had risen to more than 20 percent, still quite low by West European standards. Many employers complained because of the relatively high proportion (85 percent) that they had to contribute to the non-state portion of social security funding; some even falsified records or refused to make the payments, leaving their employees without benefits. Slightly less than two-thirds of social security expenditures were paid out in cash benefits, principally in the form of pensions to the aged, widows, orphans, and the disabled. The remaining third was spent on health, on social services, and, in small part, on administration.

As in many other advanced industrial countries, Spain's welfare system was under increasing financial pressure throughout the 1980s. This was due in part to the country's economic distress, which created the dual pressures of declining contributions and tax receipts on the one hand, and increased claims for unemployment assistance on the other. Another important reason was the decline of the extended family, which in earlier times had absorbed part of the cost of helping unemployed or distressed family members. However, the main reason was that, like those in other Western countries, Spain's population was aging rapidly and therefore the state had to pay more and more in old-age pensions. These pensions tended to be quite generous, the highest, in fact, after Sweden's, in Western Europe. Between 1972 and 1982, the number of pensioners rose by an average of 184,000 each year. By 1983, when there were 4.7 million pensioners, for every beneficiary of the pension program there were only 2.3 contributors, compared with an average of 5 in the rest of Western Europe. Thus, in the 1980s, officials began to talk seriously about the possibility of the bankruptcy of the old-age pension system. The private sector needed to become more heavily involved through private pension plans, but in the late 1980s, legislation that would make these plans possible had failed to win government approval. In a country where the elderly have traditionally been held in high esteem and have generally been well treated, the dramatic aging of the population

was still a relatively new experience that would greatly affect public policies as well as the country's social values. In 1982 there were only 62 homes for the elderly, and these cared for some 12,500 persons; by 1986 the number of centers had increased by approximately 16 percent, to 72, and the number of elderly residents had increased by 25 percent, to about 15,700. Also in 1982, some 385 day-care centers provided services to about 1.1 million elderly; by 1986, just four years later, the number of these centers had increased by 13 percent to 435, and the number of elderly served by them had increased by 55 percent, to about 1.7 million. In this same four-year period, government expenditures on social services for the elderly rose by 87 percent, direct payments to the elderly rose by more than 170 percent, and investments in facilities for the aged increased by 160 percent. It was clear that these figures would continue to increase well into the twenty-first century, raising the highly controversial political question of who would bear this fiscal burden.

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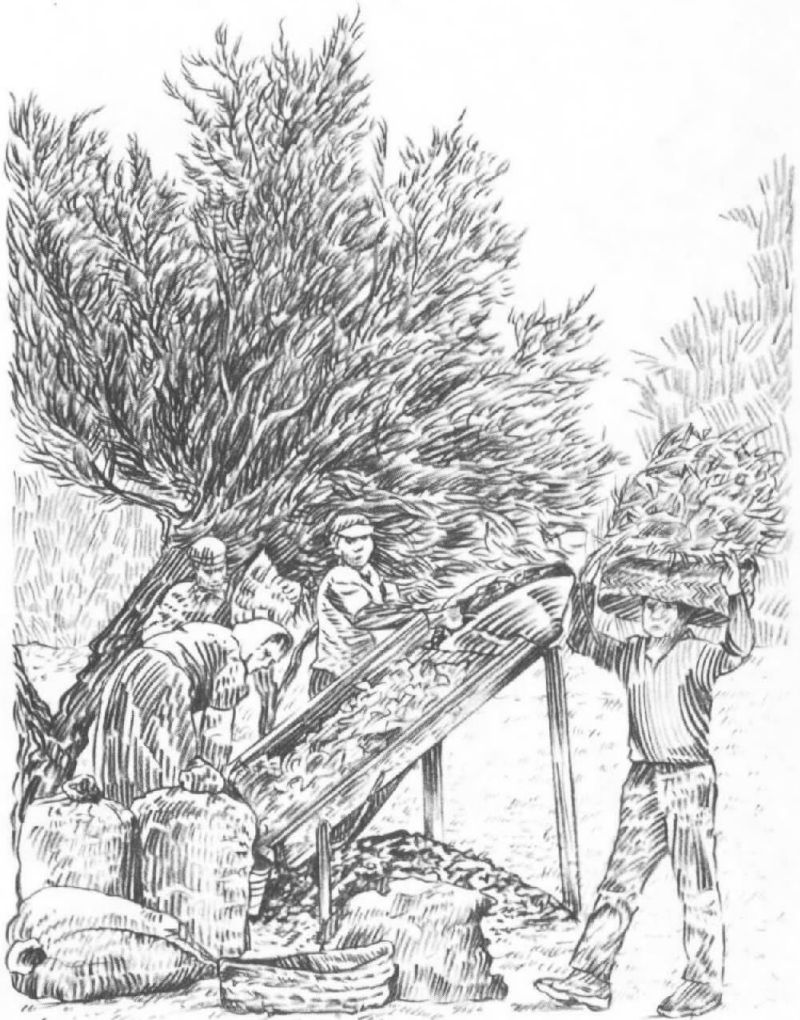
Spain's transition to an advanced industrial democracy has been amply documented in a number of excellent books, most of which deal with the politics of the transition. Two recent works, however, stand out as readable accounts of the social transformation as well. Both are by British journalists who lived in Spain for a number of years during the transition. John Hooper's book, *The Spaniards: A Portrait of the New Spain*, contains a lengthy section on the regional and the ethnic problems of contemporary Spain, while Robert Graham's book, *Spain: A Nation Comes of Age*, focuses primarily on the rise of the country's middle class and on important institutions. Also helpful are: *Spain: The Root and the Flower* by John Crow and *Spain: A Guide to Political and Economic Institutions* by Peter Donaghy and Michael Newton.

Several American cultural anthropologists have written books on Spanish culture in recent years, thereby increasing greatly our understanding of life in rural and small-town Spain. The principal of these works are William Douglass's *Echalar and Murelaga: Opportunity and Rural Exodus in Two Spanish Basque Villages*, Susan Freeman's *The Pasiegos: Spaniards in No Man's Land*, and David Gilmore's *Aggression and Community: Paradoxes of Andalusian Culture*. The politics and culture of Spain's ethnic groups have been dealt with by several American political scientists, including these: Robert Clark, *The Basques: The Franco Years and Beyond*; Oriol Pi-Sunyer, *Nationalism and Societal Integration: A Focus on Catalonia*; and Kathryn Woolard, *The Politics of Language and Ethnicity in Barcelona*.

Several Spanish sociologists have produced significant studies of key elements of the Spanish transformation, of which the most readable and important are: Salustiano del Campo and Manuel Navarro, *Nuevo análisis de la población española*; Salustiano del Campo, Manuel Navarro, and J. Félix Tezanos, *La cuestión regional española*; Amando de Miguel, *Manual de estructura social de España*; and Amando de Miguel, *Recursos humanos, clases, y regiones en España*. The standard work on Spanish geography, now in its fifth edition, is by Manuel de Teran, L. Sole Sabaris, and J. Vila Valenti, *Geografía regional de España*.

Finally, for those who wish to remain abreast of current affairs in Spain, an accessible and readable periodical that covers Spain fairly regularly is *The Economist*, published in London. For those able to read Spanish, the best source is the international edition of *El País*, published weekly in Madrid. (For further information and complete citations, see Bibliography.)

Chapter 3. The Economy



Workers in an olive orchard

IN THE MID-1980s, Spain's per capita gross domestic product ranked low among the industrial countries represented in the Organisation for Economic Co-operation and Development, though well ahead of such nations as Greece, Yugoslavia, and Portugal. In the latter half of the decade, however, the Spanish economy entered a phase of strong expansion and employment.

Spain was a latecomer to economic and industrial modernization. Early in the twentieth century, economic progress was made in fitful starts, but in the 1960s the process of renewal began in earnest. Before then, the Spanish economy was one of the most underdeveloped in Western Europe, and it was sometimes characterized as a Third World economy. A spectacular period of growth and modernization during the 1960s and the early 1970s profoundly transformed the Spanish economy, bringing it much closer to the West European consumer society prototype. However, in late 1975, when the authoritarian rule of Francisco Franco y Bahamonde (in power, 1939–75) came to an end, and democratic processes were restored, there were huge increases in the price of imported oil upon which Spain was heavily dependent for its energy needs. Vigorous economic expansion was replaced by recession, stagnation, and a dizzying increase in the number of unemployed wage earners.

The Socialist government, headed by Felipe González Márquez, that came to power in late 1982—the first post-Franco government with an absolute parliamentary majority—was committed to a program of industrial renewal and economic modernization and, at the same time, to lowering the rate of inflation. Under its guidance, in the second half of the 1980s the economy experienced a growth rate and a level of foreign capital investment that were the highest in Europe. Budget deficits were reduced, inflation was lowered, foreign currency reserves were greatly increased, private enterprise enjoyed record profits, and consumer spending grew. A major accomplishment during this period was the liquidation of excess personnel and overcapacity in key industries, such as steel and shipbuilding, and the redirection of substantial capital resources to more promising high-technology industries.

Despite the excellent economic performance of the late 1980s, the González government was unable to reduce an unemployment rate that was then the highest among the members of the European Community (EC—see Glossary). The number of workers employed as a result of the economic boom was equivalent to the number

of new entrants into the labor market, so that the boom only marginally reduced the number of job seekers. A mitigating circumstance, however, was that although the official unemployment rate was 20 percent, perhaps as many as one-third of those registered as unemployed were working in the “underground economy.”

Spain's accession to the EC on January 1, 1986, was a driving force behind the country's accelerated modernization effort. Under the terms of its entry into the EC, Spain was required to adapt to EC norms and regulations, over a period of seven years. The EC plan to eliminate existing barriers to trade, employment, and the flow of capital throughout the EC by the end of 1992 was still another impetus. Observers believed that, barring unforeseeable adverse developments in the international economic situation, by the year 2000 Spain would at last closely resemble its neighbors, who, for most of the twentieth century, had been socially and economically more advanced.

Character and Development of the Economy

Economic historians generally agree that during the nineteenth century and well into the twentieth, at a time when Western Europe was engaged in its great economic transformation, Spain “missed the train of the industrial revolution.” Much of the chronic social and political turmoil that took place in Spain during this period can in large measure be attributed to the great difficulties the country encountered in striving for economic modernization. Throughout this period, Spanish social and economic development lagged far behind the levels attained by the industrializing countries of Western Europe. Spain's economic “take-off” began belatedly during the 1950s and reached its height during the 1960s and the early 1970s. A second cycle of economic expansion began in the mid-1980s, and if this one continues, it might catapult Spain into the company of Western Europe's more advanced industrial societies.

At the beginning of the twentieth century, Spain was still mostly rural; modern industry existed only in the textile mills of Catalonia (Spanish, *Cataluña*; Catalan, *Catalunya*) and in the metallurgical plants of the Basque provinces (see fig. 1). Even with the stimulus of World War I, only in Catalonia and in the two principal Basque provinces, Vizcaya and Guipúzcoa, did the value of manufacturing output in 1920 exceed that of agricultural production. Agricultural productivity was low compared with that of other West European countries because of a number of deficiencies—backward technology, lack of large irrigation projects, inadequate rural credit facilities, and outmoded land-tenure practices. Financial institutions were relatively undeveloped. The Bank of Spain (*Banco de*

España) was still privately owned, and its public functions were restricted to currency issuance and the provision of funds for state activities. The state largely limited itself to such traditional activities as defense and the maintenance of order and justice. Road building, education, and a few welfare activities were the only public services that had any appreciable impact on the economy.

Considerable economic progress was made during World War I and in the 1920s, particularly during the regime of Miguel Primo de Rivera (1923–30). The Primo de Rivera government initiated important public works projects, including construction of new highways, irrigation facilities, and modernization of the railroad system. It also made a start on reforestation programs. Industry and mining were growing, and there was an average annual increase in the industrial and mining index of 6.4 percent between 1922 and 1931. An income tax, however ineffectively collected, was introduced in 1926, and a number of new banks were started with state backing, to invest in projects considered to have national interest. Certain economic functions were turned over to private monopolistic operations—of which the most important was the petroleum distribution company, *Compañía Arrendataria del Monopolio de Petróleos (CAMPESA)*; others, such as transportation, were put under state control.

These steps toward a modern economic structure were slowed drastically by the political turmoil of the period, which culminated in the Spanish Civil War, and they were further exacerbated by the worldwide depression of the early 1930s. When the Civil War broke out in 1936, it eliminated what little chance Spain might have had to recover from the economic malaise of the period (see *The Spanish Civil War*, ch. 1).

The Franco Era, 1939–75

Spain emerged from the Civil War with formidable economic problems. Gold and foreign exchange reserves had been virtually wiped out, and the neglect and devastation of war had reduced the productive capacity of both industry and agriculture. To compound the difficulties, even if the wherewithal had existed to purchase imports, the outbreak of World War II rendered many needed supplies unavailable. The end of the war did not improve Spain's plight because of subsequent global shortages of foodstuffs, raw materials, and peacetime industrial products. Spain's European neighbors faced formidable reconstruction problems of their own, and, because of their awareness that the Nationalist victory in the Spanish Civil War had been achieved with the help of Adolf Hitler and Benito Mussolini, they had little inclination to include Spain

in any multilateral recovery program. For a decade following the Civil War's end in 1939, the economy remained in a state of severe depression.

Branded an international outcast for its pro-Axis bias during World War II, Franco's regime sought to provide for Spain's well-being by adopting a policy of economic self-sufficiency. Autarchy was not merely a reaction to international isolation; it was also rooted for more than half a century in the advocacy of important economic pressure groups. Furthermore, from 1939 to 1945, Spain's military chiefs genuinely feared an Allied invasion of the peninsula and, therefore, sought to avert excessive reliance on foreign armaments.

Spain was even more economically retarded in the 1940s than it had been ten years earlier, for the residual adverse effects of the Civil War and the consequences of autarchy and import substitution were generally disastrous. Inflation soared, economic recovery faltered, and, in some years, Spain registered negative growth rates. By the early 1950s, per capita gross domestic product (GDP—see Glossary) was barely 40 percent of the average for West European countries. Then, after a decade of economic stagnation, a tripling of prices, the growth of a black market, food rationing, and widespread deprivation, gradual improvement began to take place. The regime took its first faltering steps toward abandoning its pretensions of self-sufficiency and toward inaugurating a far-reaching transformation of Spain's retarded economic system. Pre-Civil War industrial production levels were regained in the early 1950s, though agricultural output remained below that level until 1958.

A further impetus to economic liberalization came from the September 1953 signing of a mutual defense agreement, the Pact of Madrid, between the United States and Spain (see *Military Cooperation with the United States*, ch. 5). In return for permitting the establishment of United States military bases on Spanish soil, the Eisenhower administration provided substantial economic aid to the Franco regime. More than 1 billion dollars in economic assistance flowed into Spain during the remainder of the decade as a result of the agreement. Between 1953 and 1958, Spain's gross national product (GNP—see Glossary) rose by about 5 percent per annum.

The years from 1951 to 1956 were marked by substantial economic progress, but the reforms of the period were only spasmodically implemented, and they were poorly coordinated. One large obstacle to the reform process was the corrupt, inefficient, and bloated bureaucracy. A former correspondent of London's *Financial*

Times, Robert Graham, described the Franco era as “the triumph of paleocapitalism—primitive market skills operating in a jungle of bureaucratic regulations, protectionism, and peddled influence.” By the mid-1950s, the inflationary spiral had resumed its upward climb, and foreign currency reserves that had stood at US\$58 million in 1958 plummeted to US\$6 million by mid-1959. The standard of living remained one of the lowest in Western Europe, and the backwardness of agriculture and of the land-tenure system, despite lip service to agrarian reform, kept farm productivity low. The growing demands of the emerging middle class—and of the ever greater number of tourists—for the amenities of life, particularly for higher nutritional standards, placed heavy demands on imported foodstuffs and luxury items. At the same time, exports lagged, largely because of high domestic demand and institutional restraints on foreign trade. The peseta (for value of the peseta—see Glossary) fell to an all-time low on the black market, and Spain’s foreign currency obligations grew to almost US\$60 million.

A debate took place within the regime over strategies for extricating the country from its economic impasse, and Franco finally opted in favor of a group of neoliberals. The group included bankers, industrial executives, some academic economists, and members of the semi-secret Roman Catholic lay organization, Opus Dei (Work of God—see Religion, ch. 2; Political Interest Groups, ch. 4).

During the 1957–59 period, known as the pre-stabilization years, economic planners contented themselves with piecemeal measures such as moderate anti-inflationary stopgaps and increases in Spain’s links with the world economy. A combination of external developments and an increasingly aggravated domestic economic crisis, however, forced them to engage in more far-reaching changes.

As the need for a change in economic policy became manifest in the late 1950s, an overhaul of the Council of Ministers in February 1957 brought to the key ministries a group of younger men, most of whom possessed economics training and experience. This reorganization was quickly followed by the establishment of a committee on economic affairs and the Office of Economic Coordination and Planning under the prime minister.

Such administrative changes were important steps in eliminating the chronic rivalries that existed among economic ministries. Other reforms followed, the principal one being the adoption of a corporate tax system that required the confederation of each industrial sector to allocate an appropriate share of the entire industry’s tax assessment to each member firm. Chronic tax evasion was consequently made more difficult, and tax collection receipts rose

sharply. Together with curbs on government spending, in 1958 this reform created the first government surplus in many years.

More drastic remedies were required as Spain's isolation from the rest of Western Europe became exacerbated. Neighboring states were in the process of establishing the EC and the European Free Trade Association (EFTA—see Glossary). In the process of liberalizing trade among their members, these organizations found it difficult to establish economic relations with countries wedded to trade quotas and bilateral agreements, such as Spain.

Spanish membership in these groups was not politically possible, but Spain was invited to join a number of other international institutions. In January 1958, Spain became an associate member of the Organisation for European Economic Co-operation (OEEC), which became the Organisation for Economic Co-operation and Development (OECD—see Glossary) in September 1961, and which included among its members virtually every developed country in the noncommunist world. In 1959 Spain joined the International Monetary Fund (IMF—see Glossary) and the World Bank (see Glossary). These bodies immediately became involved in helping Spain to abandon the autarchical trade practices that had brought its reserves to such low levels and that were isolating its economy from the rest of Europe.

Spain traditionally paid close attention to events in France and was often influenced by them. In December 1958, the French government adopted a stabilization program in order to overcome a severe economic slump; this program included devaluation of the franc, tax increases, and the removal of restrictions on most of France's trade with OECD countries. The French action removed whatever doubts the Spanish authorities had harbored about embarking on a wholesale economic transformation. After seven months of preparation and drafting, aided by IMF and French economists, Spain unveiled its Stabilization Plan on June 30, 1959. The plan's objectives were twofold: to take the necessary fiscal and monetary measures required to restrict demand and to contain inflation, while, at the same time, liberalizing foreign trade and encouraging foreign investment.

The plan's initial effect was deflationary and recessionary, leading to a drop in real income and to a rise in unemployment during its first year. The resultant economic slump and reduced wages led approximately 500,000 Spanish workers to emigrate in search of better job opportunities in other West European countries. Nonetheless, its main goals were achieved. The plan enabled Spain to avert a possible suspension of payments abroad to foreign banks holding Spanish currency, and by the close of 1959 Spain's foreign

exchange account showed a US\$100 million surplus. Foreign capital investment grew sevenfold between 1958 and 1960, and the annual influx of tourists began to rise rapidly.

As these developments steadily converted Spain's economic structure into one more closely resembling a free-market economy, the country entered the greatest cycle of industrialization and prosperity it had ever known. Foreign aid played a significant role. Such aid took the form of US\$75 million in drawing rights from the IMF, US\$100 million in OEEC credits, US\$70 million in commercial credits from the Chase Manhattan Bank and the First National City Bank, US\$30 million from the United States Export-Import Bank, and funds from United States aid programs. Total foreign backing amounted to US\$420 million. The principal lubricants of the economic expansion, however, were the hard currency remittances of 1 million Spanish workers abroad, which are estimated to have offset 17.9 percent of the total trade deficit from 1962 to 1971; the gigantic increase in tourism that drew more than 20 million visitors per year by the end of the 1960s and that accounted for at least 9 percent of the GNP; and direct foreign investment, which between 1960 and 1974 amounted to an impressive US\$7.6 billion. More than 40 percent of this investment came from the United States, almost 17 percent came from Switzerland, and the Federal Republic of Germany (West Germany) and France each accounted for slightly more than 10 percent. By 1975 foreign capital represented 12.4 percent of all that invested in Spain's 500 largest industrial firms. An additional billion dollars came from foreign sources through a variety of loans and credit devices.

The success of the stabilization program was attributable to both good luck and good management. It took place at a time of economic growth and optimism in Western Europe, which as a result was ready to accept increased Spanish exports, to absorb Spain's surplus labor, and to spend significant sums of money on vacations in Spain and on investments in Spanish industry.

The Post-Franco Period, 1975–1980s

Franco's death in 1975 and the ensuing transition to democratic rule diverted Spaniards' attention from urgent economic problems. The return to democracy coincided with an explosive quadrupling of oil prices, which had an extremely serious effect on the economy because Spain imported 70 percent of its energy, mostly in the form of Middle Eastern oil. Nonetheless, the centrist government of Adolfo Suárez González, which had been named to succeed the Franco regime by King Juan Carlos de Borbón, did little to shore up the economy or even to reduce Spain's heavy dependence on

imported oil. A virtually exclusive preoccupation with the politics of democratization and the drafting of a new political system prevailed.

Because of the failure to adjust to the drastically changed economic environment brought on by the two oil price shocks of the 1970s, Spain quickly confronted plummeting productivity, an explosive increase in wages from 1974 to 1976, a reversal of migration trends as a result of the economic slump throughout Western Europe, and the steady outflow of labor from agricultural areas despite declining job prospects in the cities. All these factors joined in producing a sharp rise in unemployment. Government budgetary deficits swelled, as did large social security cost overruns and the huge operating losses incurred by a number of public-sector industries. Energy consumption, meanwhile, remained excessive. The years of economic recession, beginning in 1975, were not solely attributable to the oil crisis, but they revealed, in the words of one Spanish economist, Eduardo Merigo, "an institutional structure that was creaking at the seams, unable to function in a country in which output had increased nearly five times in thirty years." These structural deficiencies made Spain more vulnerable than most other modern economies to the oil crises of the 1970s.

When the Socialist government headed by Felipe González took office in late 1982, the economy was in dire straits. Inflation was running at an annual rate of 16 percent, the external current account was US\$4 billion in arrears, public spending had gotten out of hand, and foreign exchange reserves had become dangerously depleted. In coping with the situation, however, the González government had one asset that no previous post-Franco government had enjoyed, namely, a solid parliamentary majority in both houses of the Cortes (Spanish Parliament). With this majority, it was able to undertake unpopular austerity measures that earlier weak and unstable governments had been unable even to consider.

The Socialist government opted for pragmatic, orthodox monetary and fiscal policies, together with a series of vigorous retrenchment measures. In 1983 it unveiled a program that provided a more coherent and long-term approach to the country's economic ills. Renovative structural policies—such as the closing of large, unprofitable state enterprises—helped to correct the more serious imbalances underlying the relatively poor performance of the economy. The government launched an industrial reconversion program, brought the problem-ridden social security system into better balance, and introduced a more efficient energy-use policy. Labor market flexibility was improved, and private capital investment was encouraged with incentives.

By 1985 the budgetary deficit was brought down to 5 percent of GNP, and it dropped to 4.5 percent in 1986. Real wage growth was contained, and it was generally kept below the rate of inflation. Inflation was reduced to 4.5 percent in 1987, and analysts believed it might decrease to the government's goal of 3 percent in 1988.

Efforts to modernize and to expand the economy were greatly aided by a number of factors that fostered the remarkable economic boom of the 1980s: the continuing fall in oil prices, increased tourism, a sharp reduction in the exchange value of the United States dollar, and a massive upsurge in the inflow of foreign investment. These exogenous factors allowed the economy to undergo rapid expansion without experiencing balance of payments constraints, despite the fact that the economy was being exposed to foreign competition in accordance with EC requirements. Were it not for these factors, the process of integration with the EC would have been a good deal more painful, and inflation would have been much higher.

In the words of the OECD's 1987-88 survey of the Spanish economy, "following a protracted period of sluggish growth with slow progress in winding down inflation during the late 1970s and the first half of the 1980s, the Spanish economy has entered a phase of vigorous expansion of output and employment accompanied by a marked slowdown of inflation." In 1981 Spain's GDP growth rate had reached a nadir by registering a rate of negative 0.2 percent; it then gradually resumed its slow upward ascent with increases of 1.2 percent in 1982, 1.8 percent in 1983, 1.9 percent in 1984, and 2.1 percent in 1985. The following year, however, Spain's real GDP began to grow by leaps and bounds, registering a growth rate of 3.3 percent in 1986 and 5.5 percent in 1987. The 1987 figure was the highest since 1974, and it was the strongest rate of expansion among OECD countries that year. Analysts projected a rise of 3.8 percent in 1988 and of 3.5 percent in 1989, a slight decline but still roughly double the EC average. They expected that declining interest rates and the government's stimulative budget would help sustain economic expansion. Industrial output, which rose by 3.1 percent in 1986 and by 5.2 percent in 1987, was also expected to maintain its expansive rate, growing by 3.8 percent in 1988 and by 3.7 percent in 1989.

A prime force generating rapid economic growth was increased domestic demand, which grew by a steep 6 percent in 1986 and by 4.8 percent in 1987, in both years exceeding official projections. During 1988 and 1989, analysts expected demand to remain strong, though at slightly lower levels. Much of the large increase in

demand was met in 1987 by an estimated 20 percent jump in real terms in imports of goods and services.

In the mid-1980s, Spain achieved a strong level of economic performance while simultaneously lowering its rate of inflation to within two points of the EC average. However, its export performance, though increasing by a creditable 5.5 percent, raised concerns over the existing imbalance between import and export growth.

Role of Government

The public sector of the postwar Spanish economy was not conspicuously large, compared with the corresponding sectors of most other West European countries. Much of it came into existence under the Franco regime. Spain's communication and transportation facilities were publicly operated, as was the case on most of the rest of the continent. State trading monopolies were maintained for petroleum products, tobacco, and some agricultural products, but most industry other than coal mining, iron and steel making, shipbuilding, and aircraft assembly, was privately owned. Most of the major financial institutions were also privately owned. Yet agriculture, which was largely in private hands, was affected by a panoply of subsidies and marketing controls. Irrigation projects and reforestation and land reform programs were also important official concerns.

The single largest component of the public sector was the National Industrial Institute (Instituto Nacional de Industria—INI), a government holding company that was primarily, though not exclusively, involved in industry (see National Industrial Institute, this ch.). In addition to INI, the public sector included the Grupo Patrimonio, founded in the late nineteenth century. Formally referred to as the Directorate General for State Assets (Dirección General del Patrimonio del Estado—DGPE), it functioned under the auspices of the Ministry of Economy, Finance, and Commerce. In the mid-1980s, there were about two dozen companies in the DGPE, operating in a variety of sectors, such as communications, finance, transportation, agriculture, and textiles. Three companies dominated the group: the National Telephone Company of Spain (Compañía Telefónica Nacional de España—CTNE), the tobacco distributor (Tabacalera), and the Overseas Trade Bank (Banco Exterior de España). Together they accounted for the bulk of the employment and the financial holdings of the group's members. The shares of these companies were held directly by the state, rather than indirectly through a holding company, as was the case with INI. One of the main purposes of the DGPE was to channel to the government the revenues from the sale of certain commodities

placed in the hands of monopoly distributors, though such monopolies were coming to an end as a result of Spain's entry into the EC. The DGPE had also taken an active role in restructuring the textile industry.

Economic Ministries

Under the Felipe González government, the minister of economy, finance, and commerce served as "superminister" and chief government spokesman with the responsibility of advising the prime minister on economic and financial policies. The Ministry of Economy, Finance, and Commerce formulated general economic policies; prepared the budget; audited the state's accounts; supervised expenditures; managed the public debt; supervised the banks, insurance companies, and stock exchanges; and collected taxes. It therefore had a major role in the conduct of both fiscal and monetary policy. It was also responsible for all matters concerned with publicly owned properties involved in industrial, agricultural, and commercial ventures, including supervision of those under the day-to-day management of other ministries.

Other ministries having primarily economic functions included the Ministry of Agriculture, Fisheries, and Food; the Ministry of Transportation, Tourism, and Communications; the Ministry of Industry and Energy; the Ministry of Labor and Social Security; and the Ministry of Public Works and City Planning. There was also an interministerial Economic Affairs Committee (*Comisión de Asuntos Económicos*), which consisted of the heads of economically important ministries and the undersecretary of state for the economy.

Budget and Fiscal Policy

The budget of the central government reflected only a part of the financial resources involved in the execution of fiscal policy. Other official receipts and expenditures, including social security revenues and payments, local and regional government taxation and spending, and the operations of autonomous organizations associated with defense, education, and agrarian development, brought the total amount of government outlays in 1987 to 13,200 billion pesetas, or 41 percent of GDP. Thus, despite the sharp rise in revenues recorded in 1987, the central government deficit narrowed only from 1,659 billion pesetas to 1,623 billion pesetas on a national accounts basis.

Government spending tended to be expansionary. Even in 1987, when government receipts were unusually high because of strong economic growth, a crackdown on tax fraud, and the introduction

of a value-added tax in 1986, state expenditures outstripped state income and the government's deficit amounted to about 3.8 percent of 1987's GDP. When regional and local government expenditures were figured in, the total deficit amounted to approximately 5 percent. Budgetary estimates for 1988 indicated that the central government deficit could be held to approximately 3 percent of GDP. Initial budgets, however, have usually underestimated ultimate spending.

Human Resources

Throughout much of the twentieth century, there has been a dramatic shift in the makeup of the Spanish population and in the nature of its employment. As late as the 1920s, 57 percent of Spain's active population was concentrated in agriculture. During the next 30 years, the number of people employed in this sector fell by only 10 percent. Starting in 1950, however, the sector's share of the work force fell by close to 10 percent each decade, so that by the early 1980s its share had shrunk to about 15 percent. Even after the economic transformation in the 1960s and the first half of the 1970s, agricultural employment continued to fall steadily—by an estimated 4 percent per year between 1976 and 1985. Migration from rural regions to areas where employment was available led to the virtual depopulation of a number of rural towns and provinces, especially those in the middle of the country (see *Migration*, ch. 2.)

The evolution in the size and the composition of the working population offered an index to the country's modernization process. Since the 1920s, the number of workers employed in industry and services had virtually doubled. Industry's share of the work force had gone from about 20 percent in 1920 to a high point of 38 percent in 1975, after which it had begun to decline, dropping to 32 percent by 1985. The service sector had grown steadily, from 20 percent of the work force in 1920 to 52 percent in 1985, declining only during the bleak 1940s. It had surpassed the industrial sector at the end of the boom years in the mid-1970s, when it accounted for about 40 percent of the work force. Despite the economic slump of the 1975-85 period, the service sector grew strongly—an indication of Spain's development toward a postindustrial society and its increasing resemblance to the economic structures of other West European countries.

^o Spain has been fairly constant in the portion of its population actively involved in the economy. For all of the twentieth century, just over one-third of the population has either had a job or has been looking for one. A high point was reached in 1965, when



*Plowed fields in Valencia Province
Courtesy National Tourist Office of Spain*

38.5 percent of all Spaniards were in the work force. During the 1980s, the figure hovered at about 33 to 34 percent.

Compared with other West European countries, however, Spain has been distinguished by the low participation of women in the work force. In 1970 only 18 percent of the country's women were employed, compared with 26 percent in Italy and 30 to 40 percent in northern Europe. During the 1980s, female employment increased, but women still made up less than 30 percent of the economically active population, considerably less than they did in Finland, for example, where nearly half of all those employed were female and where three-quarters of all women worked outside the home. Female participation in the labor market was increasing in the second half of the 1980s, and it had jumped 2 percent between 1985 and 1987, when, according to an OECD report, it reached 29.9 percent in mid-1987. *El País*, a respected daily, reported that there were 3.5 million women in the work force of 15 million at the end of 1987, which gave them a share of about 32 percent of the total.

The Unemployment Problem

Spain's most nagging and seemingly intractable economic problem has been the persistence of high unemployment. The industry shakeout of the 1975-85 period, declining job opportunities in agriculture, and the virtual drying up of the need for Spanish workers in Western Europe led to an unemployment rate that, throughout the 1980s, rarely went below 20 percent, the highest rate in Europe. Overall employment between 1976 and 1985 declined by almost 25 percent. The sharp slowdown in labor demand, following the first oil shock, coincided with the growing exodus from rural areas. The decline in industrial employment was due not only to production cutbacks in a number of key sectors, but also to prior widespread overmanning and to the abruptly urgent need to address deteriorating economic conditions by stressing higher productivity and lower unit labor costs. The ensuing slowdown in real wage growth did not moderate before 1980. As a result, real wages surpassed productivity between 1976 and 1979 by 22 percent.

Though government programs, such as the strengthened Employment Promotion Programs, led to the hiring of more than 1 million people in 1987—more than double the average of about 450,000 per year between 1979 and 1984—they did not appreciably alter the level of joblessness. With almost 3 million people unemployed in 1988, the official unemployment level of 20.5 percent was almost double the OECD average. Record numbers of new job openings were created in the buoyant economy of 1987, and total employment

increased by 3 percent, but the new jobs barely kept pace with the growth of the labor force. Undoubtedly, the unemployment rate would have been much higher were it not for the relatively low level of participation of women in the labor force. The unemployment rate for women in the labor force was about one-third higher than that for men.

Youth unemployment was particularly high. The under-25 age-group accounted for nearly 55 percent of all unemployment, a factor that contributed to juvenile delinquency and street crime. Thus, the increasing participation of young people and women in the work force contributed to a persistence of high unemployment in the booming economy of the late 1980s because of the relatively low rates of employment among both groups. Another reason was that, although the economy was growing, part of the expansion was due to improved equipment, and not to increased employment. Industrial production, for example, rose by 4.7 percent in 1987, but industrial employment grew only by 2.5 percent. Nonetheless, these official unemployment rates were believed to be too high, for they did not take account of those persons believed to be working in the underground economy.

The Underground Economy

With the growth in unemployment, rising labor costs, rigid legal regulations, increasing numbers of layoffs and discharges, and high employer social security taxes, since the 1970s Spain has experienced the growth of an increasingly important underground economy (*economía sumergida*). Its rise has been of growing concern to government policymakers. Observers estimated that it accounted for 10 percent to 15 percent of the GNP, and a 1985 government study suggested that the number of those employed in the underground economy amounted to 18 percent of the entire active labor force. Other analysts believed that as many as 33 percent of those officially listed as unemployed—about 20 percent of the working population—were actually working in the shadow economy. Workers in this sector were particularly numerous in labor-intensive industries and services. According to official estimates, agriculture accounted for the largest share, estimated at perhaps 30 percent; services claimed up to 25 percent; construction, 20 percent; and industry, a little less than 20 percent. Most of those involved in the service sector worked as domestics.

Typically, workers in the underground economy were young people with minimal educational and professional qualifications. Many were single women, more often than not, those without family responsibilities. This sector of the economy was marked by high

labor turnover; its employees earned substandard wages, and they often toiled in unhealthy surroundings, frequently at home. Though wages were low, those who worked in the underground economy could avoid paying taxes and social security contributions—an aspect of the sector that made it attractive to employers as well as to laborers.

Labor Relations in the Franco Era

Labor relations until the late 1950s were generally of a fascist, authoritarian type. Wages and working conditions were set by decrees issued by the government, and all wage earners were required to be members of the government body, the Spanish Syndical Organization (*Organización Sindical Española—OSE*). Collective bargaining, independent labor organizations, and strikes were prohibited. In conjunction with the general economic liberalization of the late 1950s, the 1958 Collective Bargaining Law (*Ley de Convenios Colectivos*) for the first time permitted limited local collective bargaining between employers and labor within the framework of the OSE.

Despite police repression and the heavy penalties that were given to striking workers—striking was considered the equivalent of a treasonable offense—there were a number of labor conflicts during the 1950s, especially in Barcelona and in the Basque region, both pre-Civil War trade-union strongholds. Through harsh police measures and the imprisonment of workers, these conflicts were readily brought under control. They were, however, harbingers of a tidal wave of labor unrest that was to inundate the country during the late 1960s and the early 1970s.

As workers and their clandestine labor organizations grew more assertive during the mid-1960s, they sought a larger share of the country's growing prosperity. An oppositional grass-roots labor movement, which became known as the Workers' Commissions (*Comisiones Obreras—CCOO*), arose within the official labor organization. During the 1960s and 1970s, the CCOO became the principal opposition to government-controlled labor organizations. The CCOO had links to the Roman Catholic Church, which during the same period was undergoing a growing liberalization with the encouragement of Pope John XXIII and Pope Paul VI. The church dissociated itself from the Franco regime, and it championed Spanish trade union freedoms and collective bargaining rights. Some church-sponsored labor groups were permitted to operate openly, most notably the Catholic Action Workers' Brotherhood (*Hermandad Obrera de Acción Católica—HOAC*). On July 24, 1968, the Bishops' Conference condemned Spain's government

labor organizations and issued a call for free trade unions. Churches provided a sanctuary for striking workers and served as a refuge from the police.

Oppositional union groups became more active in elections for shop-level representatives. As slates of candidates sponsored by the CCOO and others increasingly won elections for factory shop stewards (*jurados de empresa*), the OSE became more and more dysfunctional. Meanwhile, the influence of the Catholic leadership of the CCOO lessened, as communists became increasingly dominant and as the movement became more active. Labor unrest underwent an explosive expansion. There were 777 strikes in 1963, 484 in 1965, and the number mushroomed in 1970 to 1,595. The strikes resulted in major wage gains, frequently exceeding official guidelines.

Semiclandestine independent trade unions began to emerge during the final decade of the Franco regime. In addition to the CCOO, other groups began to make their presence felt. The socialist General Union of Workers (Unión General de Trabajadores—UGT), historically, the labor arm of the Spanish Socialist Workers' Party (Partido Socialista Obrero Español—PSOE), belatedly emerged as a leading contender for worker leadership. In the Basque region, the Basque Workers' Solidarity (Eusko Langilleen Alkartasuna—Solidaridad de Trabajadores Vascos—ELA-STV), the labor adjunct of the Basque Nationalist Party (Partido Nacionalista Vasco—PNV), also made a reappearance. In addition, various organizations spawned by the church's active defense of workers' rights, the most notable being the Workers' Syndical Union (Unión Sindical Obrera—USO), vied for workers' support. The anarcho-syndicalist National Confederation of Labor (Confederación Nacional del Trabajo—CNT), which had been one of the two dominant trade union centers before 1939, reappeared sporadically in post-Franco Spain as a tiny, marginal force.

Labor Relations in the Post-Franco Period

The Franco regime ended amidst a wave of worker ferment and considerable strike activity. By 1975, brutal repression no longer sufficed to snuff out social discontent, as worker militancy overwhelmed an increasingly dysfunctional OSE and forced employers to negotiate directly with representatives of the semilegal independent unions. The strike waves that crested between 1974 and 1976 coincided with the huge oil price increases that began in 1973. The country's political elite, because it was engrossed with the transition to parliamentary democracy, gave only passing attention to labor unrest and to the increasing deterioration of the

economy. The institutional changes of this period had not yet established channels for collective bargaining, nor did consultative machinery exist to negotiate general wage guidelines.

Industrial workers, having inadequately partaken of the growing prosperity of earlier years, resented rising inflation and sought to make up for lost time despite mounting economic difficulties. A virtual wage explosion took place as workers and their semilegal spokesmen extracted large pay increases from their employers. From 1974 to 1976, wages rose much more rapidly than did the cost of living. Analysts estimated that wage increases in those years averaged 20 to 30 percent per annum. Price controls managed to keep inflation well below these levels, at least for a time. Profits declined sharply, while the wage component of Spain's national income rose steeply—by four percentage points between 1974 and 1975. Output was maintained at fairly normal levels, as increased wage levels led to rapid growth in consumption, but depressive factors soon had an adverse effect on the economy. Unemployment rose from an insignificant 2.5 percent in 1973 to 8.5 percent in 1979, and thereafter it continued to rise steadily.

Free trade unions were formally legalized on April 28, 1977, and the first post-Franco parliamentary elections, which were held the following June, saw Suárez and his center-right Union of the Democratic Center (Unión de Centro Democrático—UCD) emerge victorious, but with only a plurality of the parliamentary seats. In October 1977, government and opposition parties agreed on an economic package, the Moncloa Pacts. The pacts were designed to prevent further economic deterioration and to buy time while the country awaited the October referendum on the new 1978 Constitution. The pacts called for a 22-percent wage increase ceiling. This figure was below the rate of inflation, and it signified a reduction in popular purchasing power. In 1979, however, the government-labor consensus came to an end; partisan politics resumed, as unions sought wage adjustments that were at least equal to increases in the cost of living.

The Workers' Statute, adopted in March 1980, articulated trade union rights as guaranteed by the Constitution. The statute eliminated direct government intervention in labor relations. It also included provisions for minimum wage standards, for access to social security funds, and for a delineation of the contractual nature of wage accords. Democratically elected works councils (*comités de empresa*) were established as spokesmen for employees, and unions were given responsibility for arriving at industry-wide and at local wage agreements.

During the 1970s, Spain's economic recession and the critical situation confronting many firms led to the establishment of implicit or explicit social contracts in which government, employers, and unions participated. Unions tended to accept wage restraint, and they increased productivity in exchange for improved job security and for promises to create more job opportunities. In 1980 the UGT and the Spanish Confederation of Employers' Organizations (Confederación Española de Organizaciones Empresariales—CEOE) negotiated a pact called the Inter-Confederation Framework Agreement (Acuerdo Marco Interconfederal—AMI), embodying these features. The agreement set the pattern for 800,000 companies. These companies had an aggregate work force of 6 million persons, or half of the country's economically active population.

Since the death of Franco, the UGT and the CCOO have been engaged in a fierce rivalry for hegemony in the labor movement. The struggle has had strong political ramifications because the UGT served as the trade union arm of the governing PSOE, and the CCOO was controlled by the Communist Party of Spain (Partido Comunista de España—PCE) and by other communist splinter groups. In the 1978 elections for members of the works councils, the CCOO elected 34 percent of their candidates, compared with the UGT's 20 percent. By 1980, however, the tide began to turn, and the UGT succeeded in electing close to 30 percent of its supporters, having made inroads into CCOO voting strongholds. The decision of a large number of USO affiliates to merge with the UGT also enhanced its strength. In 1982 the UGT managed to edge out the CCOO by a 36 percent to 33 percent margin, and in the succeeding election, held in October–December 1986, it gained a further 4 percentage points, garnering a total of 41 percent, while the CCOO advanced only slightly to 34 percent. The UGT's strength was concentrated in smaller enterprises, whereas the CCOO's popularity advanced in public-sector companies and in the banking sector. In the late 1980s, the CCOO dominated the works councils in all the leading companies of INI, except for the tobacco monopoly. The ELA-STV continued to maintain its position as the single largest labor organization in the Basque region, but it was closely followed by the UGT.

Not long after coming to power in late 1982, the Socialist government became increasingly embroiled in an acrimonious relationship with the equally socialist UGT. To advance its program for industrial restructuring and for the revitalization of the economy, in order to prepare for integration into the EC, the government considered it necessary to enforce wage restraint, to carry out large-scale personnel cutbacks in a number of public-sector companies,

to limit social spending, and to permit employers greater latitude in hiring, firing, and laying off workers. In exchange for docility and low wages, workers during the Franco era received virtual lifetime job security, making it practically impossible for employers to engage in personnel retrenchment; however, a free-market economy, especially one linked to the EC, required the elimination of this rigid employment status—a goal toward which the González government was gradually moving. Though such measures contributed to the economic boom of the late 1980s, they seriously undercut the standing of trade unions. Furthermore, labor militants were incensed to find that in 1987 company profits greatly increased—an average of 40 percent—while the government continued to insist on wage restraint. The two-year Economic and Social Agreement, which covered wages and related matters and was signed by the government, employers, and workers, expired at the end of 1986. Thereafter, government efforts to persuade unions to accept a social compact failed because of union insistence on wage increases appreciably higher than those proposed by the government and because of union opposition to further personnel reductions in state enterprises that operated at a loss. The result was that union contract renewals in early 1987 led to a resurgence of labor disputes and to an increase in the number of work stoppages.

Trade unions entered the post-Franco era with great prestige and large memberships. According to the unions, their combined membership totalled 3 million workers. Since then, however, organized labor has steadily lost strength because of rising unemployment and limitations on wage increases. As a consequence, most workers professed sympathy and regard for the unions, but few bothered to pay dues. In the late 1980s, probably fewer than 15 percent of all workers possessed union cards. Nonetheless, a much larger proportion heeded union calls during negotiations for economic agreements and participated in strikes and other job-related actions.

Agriculture

Viewed in terms of land mass, Spain is one of the largest countries of Western Europe, and it ranks second in terms of its elevation, after Switzerland. A large part of the country is semiarid, with temperatures that range from extremely cold in the winter to scorching in the summer. Rainfall, which is often inadequate, tends to be concentrated in two generally brief periods during the year. Summer droughts occur frequently. Of Spain's 50.5 million hectares of land, 20.6 million, or about 40 percent, are suitable

for cultivation; however, the soil is generally of poor quality, and only about 10 percent of the land can be considered excellent. In addition, the roughness of the terrain has been an obstacle to agricultural mechanization and to other technological improvements. Furthermore, years of neglect have created a serious land erosion problem, most notably in the dry plains of Castilla-La Mancha.

Compared with other West European countries, the proportion of land devoted to agricultural purposes is low. In the 1980s, about 5 million hectares were devoted to permanent crops: orchards, olive groves, and vineyards. Another 5 million lay fallow each year because of inadequate rainfall. Permanent meadows and pastureland occupied 13.9 million hectares. Forests and scrub woodland accounted for 11.9 million hectares, and the balance was wasteland or was taken up by populated and industrial areas.

The primary forms of property holding in Spain have been large estates (*latifundios*) and tiny land plots (*minifundios*). In large measure, this was still true in the 1980s. The agrarian census of 1982 found that 50.9 percent of the country's farmland was held in properties of 200 or more hectares, although farms of this size made up only 1.1 percent of the country's 2.3 million farms. At the other end of the scale, the census showed that 61.8 percent of Spain's farms had fewer than 5 hectares of land. These farms accounted for 5.2 percent of the country's farmland. Furthermore, just under 25 percent of all farms consisted of less than 1 hectare of land, and they accounted for 0.5 percent of all farmland. *Minifundios* were particularly numerous in the north and the northwest. *Latifundios* were mainly concentrated in the south, in Castilla-La Mancha, Extremadura, Valencia, and Andalusia (Spanish, Andalucía).

Crop areas were farmed in two highly diverse manners. Areas relying on nonirrigated cultivation (*secano*), which made up 85 percent of the entire crop area, depended solely on rainfall as a source of water. They included the humid regions of the north and the northwest, as well as vast arid zones that had not been irrigated. The much more productive regions devoted to irrigated cultivation (*regadío*) accounted for 3 million hectares in 1986, and the government hoped that this area would eventually double, as it already had doubled since 1950. Particularly noteworthy was the development in Almería—one of the most arid and desolate provinces of Spain—of winter crops of various fruits and vegetables for export to Europe.

Though only about 17 percent of Spain's cultivated land was irrigated, it was estimated to be the source of between 40 and 45 percent of the gross value of crop production and of 50 percent of the value of agricultural exports. More than half of the irrigated

area was planted in corn, fruit trees, and vegetables. Other agricultural products that benefited from irrigation included grapes, cotton, sugar beets, potatoes, legumes, olive trees, strawberries, tomatoes, and fodder grasses. Depending on the nature of the crop, it was possible to harvest two successive crops in the same year on about 10 percent of the country's irrigated land.

Citrus fruits, vegetables, cereal grains, olive oil, and wine—Spain's traditional agricultural products—continued to be important in the 1980s. In 1983 they represented 12 percent, 12 percent, 8 percent, 6 percent, and 4 percent, respectively, of the country's agricultural production. Because of the changed diet of an increasingly affluent population, there was a notable increase in the consumption of livestock, poultry, and dairy products. Meat production for domestic consumption became the single most important agricultural activity, accounting for 30 percent of all farm-related production in 1983. Increased attention to livestock was the reason that Spain became a net importer of grains. Ideal growing conditions, combined with proximity to important north European markets, made citrus fruits Spain's leading export. Fresh vegetables and fruits produced through intensive irrigation farming also became important export commodities, as did sunflower seed oil that was produced to compete with the more expensive olive oils in oversupply throughout the Mediterranean countries of the EC.

Agricultural Development

Farming was only marginally affected by the Civil War, yet agricultural output during the 1940s remained below the 1933 level. This low agricultural productivity led to food rationing, substantially contributing to the great hardships endured by people residing in the cities. One of the main reasons for this dilemma was the government preoccupation with industrial self-sufficiency, which resulted in neglect for the modernization of agriculture. The government did encourage grain cultivation with the aim of achieving agricultural self-sufficiency, but heavy-handed efforts to control food prices led to the massive channeling of agricultural products into the black market.

The traditional shortcomings of Spanish agriculture—excessive land fragmentation (*minifundismo*) and extremely large land tracts in the hands of a few (*latifundismo*)—were, for all practical purposes, ignored. As in the past, latifundio areas with low yields and little irrigation were primarily devoted to the production of such traditional commodities as olive oil, grains, and wine. They were, moreover, the areas where casual rural laborers (*braceros*) were

concentrated, where wage levels were lowest, and where illiteracy rates were highest.

A gradual change in Spanish agriculture began in the 1950s, when prices rapidly increased, and the surplus labor pool began to shrink, as a half million rural field hands migrated to the cities or went abroad in search of a better life (see Migration, ch. 2). Nonetheless, more substantial changes did not take place prior to the 1960s. The Stabilization Plan of 1959 encouraged emigration from rural areas, and the economic boom in both Spain and Western Europe provided increased opportunities for employment. The subsequent loss of rural manpower had a far-reaching effect on both agricultural prices and wage levels and, as a consequence, on the composition of Spanish agriculture.

Spain's economic transformation in the 1960s and in the first half of the 1970s caused tremendous outmigration from rural areas. Between 1960 and 1973, 1.8 million people migrated to urban areas. Even later, between 1976 and 1985, when the economy was experiencing serious difficulties, the fall in farm employment averaged 4 percent per annum. The results of these migrations were reflected in the changing percentage of the population involved in farming. In 1960, 42 percent of the population was engaged in agricultural work; by 1986 only about 15 percent was so employed—a marked reduction, though still twice as high as the EC average. As Spain became more industrialized, the declining share of agriculture in the economy was evidenced by its declining share of the GDP. Agriculture accounted for 23 percent of GDP in 1960; for 15 percent, in 1970; and for 5 percent, by 1986 (see fig. 10). In addition, the character of Spanish agriculture in the 1980s had changed. It had become less a way of life and more a way of making a living. Even subsistence agriculture, already in steady decline, had become increasingly market oriented.

The magnitude of the rural exodus permitted the government to undertake a program of parcel consolidation, that is, to bring together into single plots many tiny, scattered pieces of land that characterized the *minifundio* sector. The government managed to surpass its goal of consolidating 1 million hectares of small land holdings between 1964 and 1967; by 1981 it had brought together a total of 5 million hectares.

The decreased size of the rural work force affected Spanish agriculture because its traditionally labor-intensive practices required a large pool of cheap labor. The workers who remained in the countryside saw their wages advanced by 83.8 percent between 1960 and 1970—a rate that roughly followed the wage increases in industry. At the same time, however, increased agricultural

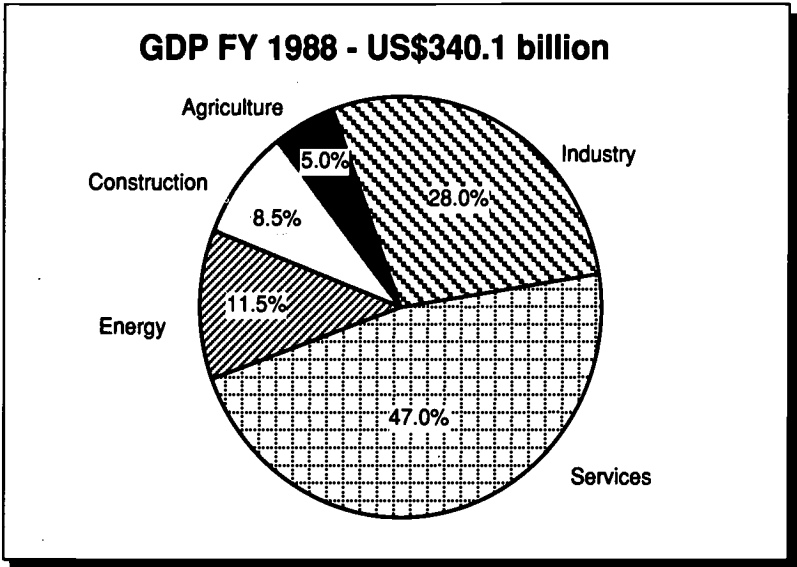


Figure 10. Structure of Gross Domestic Product, 1988

labor costs led to the end of countless *minifundios*. The 1982 agrarian census recorded the disappearance of about one-half million small farms between 1962 and 1982. The resulting lack of a ready labor supply was an incentive, particularly for large landed estates, to mechanize. The number of farm tractors expanded more than tenfold between 1960 and 1983, from 52,000 to 593,000. The number of combine harvester-threshers increased almost tenfold over the same period, from 4,600 to 44,000. The process of mechanization caused agricultural productivity to grow by 3.5 percent per year between 1960 and 1978, and the productivity of farm workers grew even faster. Nonetheless, Spain's output per agricultural worker remained low. It was about half the EC average in 1985, and it surpassed only those of Greece and Portugal.

During the mid-1980s, Spanish agriculture was roughly self-sufficient in years when there were good harvests, and in nearly every year there were sizable surpluses of olive oil, citrus fruits, and wine that could be exported in quantities large enough to make it the EC's third-largest food supplier. In years of poor or average harvests, the country was obliged to import grains for use as animal fodder, but on the whole Spain was a net exporter of foodstuffs.

Spanish agriculture varied considerably with regard to regional differences in output. Some regions were distinguished by a highly

inefficient variety of farming. Specialists estimated that areas dominated by *minifundios* would have to lose an estimated three-fourths of their farming population if they were to compete effectively with foreign producers. The variety of agriculture practiced along the Mediterranean coast or in the Río Ebro Valley was, however, highly efficient and capable of keeping up with foreign competition.

Opinion was not united as to what EC membership would eventually mean for Spanish farmers. The EC's Common Agricultural Policy (CAP), which aimed at supporting most of each member state's farming sector, was expensive, and by the 1980s it was consuming well over half of the organization's revenues. If the CAP were continued, it would not be likely to have a considerable effect on Spanish agriculture, for a system of domestic price supports had long protected the weaker parts of the nation's farm sector. A change of EC policy that encouraged a single community-wide agricultural system might allow those parts of the Spanish agricultural sector that outperformed their rivals in the EC to prosper, while backward branches would probably disappear.

Regional Variation

Because the interior of Spain is dominated by semiarid plateaus and mountains subject to temperature extremes, the most productive agricultural areas in the late 1980s tended to be the coastal regions. Thus, the north and the northwest, where there is a relatively mild, humid climate, were the principal corn-producing and cattle-raising areas. Apples and pears were the main orchard crops in this area, and potatoes were another of its leading products.

Galicia, which consists of Spain's four westernmost provinces directly north of Portugal, had a concentrated farm population living on intensely fragmented plots. Accordingly, per capita farm income was low, compared with that of the northern provinces lying to the east, where there were fewer people and higher per capita income levels because of a more diversified economy that included industry, mining, and tourism.

Catalonia, on the northeast coast, also has a climate that permits diversified agriculture. At the end of the 1980s, livestock, particularly the expanding poultry industry, was important in the area. Modern farming methods, including the use of tractors, were more advanced here than they were in the rest of the country. South of Catalonia, along the narrow Mediterranean coast, or Levante, was Spain's principal area of intensive, irrigated horticulture. Orange trees, orchard fruits, rice, and vegetables were produced in this region, and farther to the south, fig trees and nut trees were grown.

Andalusia, which includes all of tillable southern Spain, was another major agricultural area in the late 1980s. It was also the target of several agricultural planning programs. Although olive trees grow throughout the Mediterranean coastal region, as well as in parts of the Meseta Central (Central Plateau), they constituted the most important crop in Andalusia, particularly in the province of Jaén. Other warm-weather crops, such as cotton, tobacco, and sugarcane, were also produced in Andalusia, as were wine and table grapes.

The vast dry plateau region of central Spain contrasts sharply with the country's relatively productive areas. The production of agricultural commodities is particularly difficult in central Spain because of a lack of rainfall, a scarcity of trees and other vegetation, extremes of temperature, and harsh, rocky soil. Nevertheless, the farmers of the region grew wheat and other grains, raised sheep and goats, maintained vineyards, and carried on other agricultural activities.

An important irrigation system lies just northwest of the northern Meseta and south of the Pyrenees in the Ebro Basin, where Spain's best known vineyard district is located in the autonomous community of La Rioja. Because of its irrigation, corn, sugar beets, and orchard fruits were grown in this area, and the Ebro Delta was one of Spain's principal rice-growing regions.

In the Balearic Islands (Spanish, *Islas Baleares*), the uncertain, sparse rainfall and the lack of permanent fresh water streams are somewhat compensated for by good supplies of underground water. Irrigation permitted the production of a wide range of temperate and semitropical tree crops for export, as well as enough cereals, legumes, wines, and vegetables for local consumption. Sheep, goats, pigs, and poultry were also raised on the islands.

Agriculture in the Canary Islands (Spanish, *Canarias*) was limited by water shortages and mountainous terrain. Nevertheless, a variety of vegetable and fruit crops were produced for local consumption, and there was a significant and exportable surplus of tomatoes and bananas.

Crops

Spain has long been Western Europe's leading producer, and the world's foremost exporter, of oranges and mandarins. In the early 1960s, the production of these commodities averaged 1.8 million tons a year, and by the 1980s the annual yield averaged about 3 million tons (see table 7, Appendix). Grapefruit, lemons, and limes were also grown in quantity, but Spain was second to Italy among West European producers of these fruits. Spain's citrus

groves, all under irrigation, were concentrated in Mediterranean coastal provinces, the Levante, primarily in a narrow coastal strip 500 kilometers in length extending from the province of Castellón to the province of Almería. Some citrus fruit production also was found in Andalusia.

Spain's other significant orchard crops were apples, bananas, pears, peaches, apricots, plums, cherries, figs, and nuts. Except for bananas, which were grown only in the Canary Islands, and figs, which were grown mostly in the Balearic Islands, orchard crops were produced primarily in the Levante and in Catalonia. The Catalan province of Lérida was the leading producer of apples and pears, and it ranked second to Murcia in the production of peaches. Almonds, grown along the southern and the eastern coasts, emerged as another important Spanish cash crop. Almost half of the 1985 crop was exported, approximately 70 to 75 percent of it to EC countries.

The principal vegetable crops were potatoes, tomatoes, onions, cabbages, peppers, and string beans. Spain was the leading producer of onions in Western Europe, and it was second only to Italy in the production of tomatoes. These crops were concentrated in Andalusia and in the intensively cultivated and largely irrigated Mediterranean coastal areas, where small garden plots known as *huertas* were common. The Canary Islands also produced a significant proportion of Spain's tomatoes. Potatoes were a prominent garden crop in the northwest.

Spain was the world's leading producer and exporter of olives and olive oil, although in some years Italy showed higher production levels because Spanish harvests were notably vulnerable to insects, frost, and storm damage. Andalusia, where about one-half of the olive groves were found, is generally free of these hazards, but olives were grown in virtually every province except the humid north and the northwest. In the 1980s, olive production fluctuated wildly, ranging from 1.2 million to 3.3 million tons per year. Olive oil production was also volatile. Spain's olive production is affected by EC quotas, and past efforts to control overproduction have included the destruction of olive groves.

Though Spain boasted the world's largest area of land devoted to vineyards, much of the wine it produced was of mediocre quality. Vineyards were usually located on poor land, and good wine-making technology was often lacking. In the past, government-guaranteed prices for wine tended to encourage quantity rather than quality and alcoholic content, but programs were instituted in the 1980s to upgrade production, and surpluses of poor quality white wine were more regularly distilled into industrial alcohol. Supported

by the restructuring and reconversion program initiated by the government in 1984 and by an EC assistance program, Spain's vineyard acreage continued to decline, and it was expected to fall to 100,000 hectares by 1990. Spain's 1986 wine production was estimated at 36.7 million hectoliters.

Grains covered about 10 percent of Spain's cultivated lands, and about 10 percent of that area was irrigated. Wheat and barley were generally grown in the dry areas because corn tends to crowd such crops out of areas with more abundant rainfall or irrigation. Although most of the wheat was grown in dry upland areas, some of it also was grown on valuable irrigated land. Rice was dependent on plentiful water supplies and, accordingly, was produced in the irrigated areas of the Levante, in Andalusia, and at the mouth of the Río Ebro. Spanish farmers also grew rye, oats, and sorghum.

During the mid-1980s, the grain crop usually hit record highs of about 20 million tons, compared to 13 million tons in 1983. This meant that Spain, long a grain-importing nation, now produced a surplus of cereals. Barley had come to account for about one-half of the grain harvest and corn for about one-sixth of it, as the government encouraged production of these crops in order to reduce imports of animal feed grains. Although the wheat crop was subject to wide fluctuations because of variable weather conditions, it generally provided about one-fourth of Spain's total grain production, which exceeded the country's needs. Rice and oats constituted the rest of the national total. Some rice and wheat were exported with the help of subsidies, and analysts expected the surplus of wheat and the deficit of corn to continue into the 1990s.

To make up for the shortage of domestic feed grains, Spain became one of the world's largest importers of soybeans, and it developed a modern oilseed-crushing industry of such high productivity that surplus soybean oil became one of Spain's most important agricultural export commodities. The government encouraged domestic production of soybeans to lessen the heavy dependence on soybean imports. To limit the impact of this production on the important, labor-intensive, olive oil industry, which provided work for many field hands in southern Spain, a domestic tax system was established that maintained a two-to-one olive oil-soybean oil price ratio. The revenues derived from this system subsidized large exports of surplus soybean oil. The United States, once the main source of soybean imports, lodged protests against this policy, both bilaterally and internationally, but with little effect as of 1988.

As a further step in reducing Spanish dependence on imported soybeans, the government encouraged sunflower production. Especially favorable growing conditions, coupled with generous



Rice fields in Navarre
Courtesy National Tourist Office of Spain

government support, caused sunflower seed output to expand spectacularly, and the amount of land used for its cultivation went from virtually nothing in 1960 to approximately 1 million hectares in the 1980s. Sunflower-seed meal was not the most desirable livestock feed, and therefore was not used in this way, but by the 1980s most Spanish households used the cooking oil it provided because it was less expensive than olive oil.

About 8 percent of the cultivated land in Spain was devoted to legumes and to industrial crops. Edible legumes were grown in virtually every province; French beans and kidney beans predominated in the wetter regions; and chick peas (garbanzos) and lentils, in the arid regions. However, Spain was a net importer of legumes. Although consumption of these crops declined as the standard of living improved, domestic production also fell.

Sugar beets were Spain's most important industrial crop. Annual production in the mid-1980s averaged about 7 million tons. Cultivation was widely scattered, but the heaviest production was found in the Guadalquivir Basin, in the province of León, and around Valladolid. A small amount of sugarcane was grown in the Guadalquivir Basin. Sugar production, controlled to meet EC quotas, was usually sufficient to meet domestic needs.

Although small quantities of tobacco, cotton, flax, and hemp were also cultivated, they were not adequate to fulfill Spain's needs. But

esparto grass, a native Mediterranean fiber used in making paper, rope, and basketry, grew abundantly in the southeastern part of the country.

Livestock

Spanish meat production in 1986 totalled 2,497,000 tons. The country's farmers produced 137,000 tons of lamb and mutton, 435,000 tons of beef and veal, 765,000 tons of poultry, and 1,160,000 tons of pork. With some fluctuations, these figures were representative of Spain's meat production during the 1980s. Spanish livestock industries had experienced significant growth and modernization since the 1950s, but their output remained well behind the levels of efficiency and productivity of EC countries. The EC states' generous subsidies and their experience in the use of expensive feed grains gave their livestock industries a decided competitive advantage. As the Spanish livestock sector was increasingly concentrated in northern Spain, where *minifundio* agriculture predominated, many Spanish cattle-raising farms were too small to exploit fully the efficiencies of modern technology. Domestic meat production failed to meet demand, making Spain a net importer of farm animals and meat products.

Pork was Spain's most important meat product, and the number of pigs grew from 7.6 million in 1970 to 11.4 million in 1985. Pigs were raised unpenned in the central uplands, but they were generally pen-fed in the northern regions. At times African Swine Fever was a serious impediment to pork exports.

Poultry raising had also expanded rapidly, and the number of chickens had doubled between 1970 and 1985, when it reached 54 million. The emphasis was on poultry production for meat rather than for eggs, because poultry, previously a minor item in the Spanish diet, had become much more popular. The most important areas for poultry raising were in the corn-growing provinces of the north and the northwest, but Catalonia, Valencia, and Andalusia were also important.

The principal cattle areas were in the north, the northwest, and, to a lesser degree, in Extremadura, Andalusia, the Río Duero Basin, and the Murcia-Valencia lowlands. These regions provided the suitable pastures that were available only in areas with humid climates or with irrigated land. In 1986 Spain had 5 million cattle, including 1.9 million dairy cows. About 25 percent of the cattle were raised as oxen for draft purposes, and about 2 percent were bred for the bullring. The ranches of Extremadura and Andalusia specialized in raising animals of bullring quality.

The dairy industry had grown rapidly. Milk production from cows, sheep, and goats, which had stood at 5.4 million tons in 1974, reached 6.4 million tons in 1986—well over double the production level of the early 1960s. The bulk of milk products came from Galicia, Asturias, and Santander. In 1982 the government launched a program designed to modernize milk production, to improve its quality, and to concentrate it in the northern provinces. The dairy industry was not seriously hurt by Spain's entry into the EC, although the 3 percent quota reduction for each of the years 1987 and 1988 and the 5.5 percent voluntary cutback hampered development.

Spain's sheep population remained almost unchanged at about 17 million between 1970 and 1985. Sheep rearing predominated in central Spain and the Ebro Basin. Goats were kept in much the same area, but they were more prevalent in the higher, less grassy elevations because they can survive on poorer pasture. Merino sheep, the best known breed, were probably imported from North Africa, and they were well adapted to semiarid conditions. Merino sheep, noted for their fine wool, were widely used as stock for new breeds. Other prominent breeds were the Churro and the Mancha. Although raised primarily for wool, milk, and cheese, Spanish farm animals, particularly sheep, were increasingly used to satisfy the country's meat consumption needs.

Forestry

Most of the natural forests of the Iberian Peninsula had long since disappeared because of erosion and uncontrolled harvesting for firewood, timber, or the creation of pastureland. In the 1980s, about 7 million hectares, or 14 percent of the land in Spain, could be considered usable forest, although another 3.5 million hectares of scrub growth were often included in forestland statistics.

A reforestation program had been under way in Spain since 1940. The aims of the program included meeting market demand for forest products, controlling erosion, and providing seasonal employment in rural areas. Eucalyptus trees, Lombardy poplars, and a variety of conifers were emphasized because of their fast growth.

Lumber output was approximately 12.3 million cubic meters in 1986, compared with 11.8 million cubic meters in 1985. Output could conceivably triple if 5.8 million hectares of the best forestland, which accounted for 50 percent of the total woodlands area, were properly developed and managed. Existing forestation programs were inadequate, however. For example, in the 1975–84 period, the balance between reforestation and the loss of forestland as a result of fires favored the latter by about 148,000 hectares. A report

issued by the Forest Progress Association reported that, by the year 2000, Spain's wood deficit could reach between 8.5 and 16.9 million cubic meters.

The value of Spain's forest products in 1985 was US\$302 million. Pine trees grown in the north and the northwest as well as oak and beech trees grown in the Pyrenees accounted for most of the total. Commercial forestry products produced in Spain included cork, turpentine, and resins.

Spain was the world's second largest producer of cork after Portugal. The best quality of cork, used for bottle stoppers, was grown in Catalonia. More plentiful lower grades, which went into linoleum, insulating materials, and other industrial products, came primarily from Andalusia and Extremadura. Cork production was declining, after reaching a high in the 1970s of 97,000 tons per year; only 46,000 tons were produced in 1985, as the widening use of plastics and other cork substitutes reduced demand.

Fisheries

Spain was Western Europe's leading fishing nation, and it had the world's fourth largest fishing fleet. Spaniards ate more fish per capita than any other European people, except the Scandinavians. In the mid-1980s, Spain's fishing catch averaged about 1.3 million tons a year, and the fishing industry accounted for about 1 percent of GDP. Sardines, mussels, cephalopods, cod, mackerel, and tuna, most of which came from the Atlantic Ocean, were the principal components of the catch (see table 8, Appendix). Fishing was particularly important in the economic life of Galicia, the principal fishing ports of which were Vigo and La Coruña on the northwest coast. Also important were Huelva, Cádiz, and Algeciras in the south, and Las Palmas de Gran Canaria and Santa Cruz de Tenerife in the Canary Islands.

In the mid-1980s, the fishing fleet numbered between 13,800 and 17,500 vessels, most of which were old and small. Deep-sea vessels numbered about 2,000. Spain's 100,000 fishermen made up one-third of all EC manpower in the fishing sector, and a further 700,000 Spanish jobs depended on fishing. Prior to its admission into the EC, the undisciplined behavior of Spanish fishermen was a constant problem for the government and for other European countries. Spanish vessels were frequently charged with fishing violations in the Atlantic and the North Sea. Entry into the EC brought access to most of its waters, but it also meant catches would be sharply restricted until 1995.

Food Processing

Food processing had become a major industry in Spain, and by 1985 this activity employed 450,000 workers in about 70,000 firms. These enterprises were dominated by about 150 large companies, many of which belonged to foreign multinational corporations. Capital expenditures by all food processing companies amounted to US\$580 million in 1985, and the sector's productive value was about US\$20 billion in the same year. Changes in the nation's food consumption patterns and increased tourism substantially contributed to the expansion of the food processing industry.

Industry

Industrial Development

Spain's rapid industrial development dates from about 1960, but the underlying structure that made it possible resulted from a concerted effort by the government to reconstruct and to modernize the economy after the destruction caused by the Civil War. In the initial post-Civil War period of the early 1940s, the immediate need was for economic self-sufficiency because World War II had disrupted international trade patterns. After the war, most of the rest of Western Europe faced reconstruction problems, which left little surplus foreign capital for Spain. In addition, a political and economic boycott by the victorious Allies, the result of Franco's pro-Axis leanings, left Spain dependent on its own resources. The result was the slow, forced development of a diversified industrial sector, which would not have been economically justified if Spain had been able to trade freely with its neighbors. The high operating costs, the low rate of exports, and the inflation that consequently befell the Spanish economy made the 1940s a difficult period for the country.

In the 1950s, Spain, which had not been an original participant in the Marshall Plan, received considerable aid from the United States as part of a military basing agreement signed in 1953. Industrial development subsequently became more rapid, but it was still hampered by the country's continued isolation from the more quickly recovering economies of Western Europe. Inflation, fairly well under control in the rest of Europe, was rampant in the 1950s, and foreign exchange reserves declined because of Spain's continuing inability to export its products.

The turning point for the economy, particularly for its industrial sector, occurred in 1959, when a stabilization program went into effect. This program marked the end of Spain's economic isolation. Its outmoded system of multiple exchange rates was abandoned,

and the peseta was devalued by 42.9 percent. Import duties and quotas were progressively lowered or removed, and exports were encouraged by subsidies, export credits, and other promotional efforts. The result of these initiatives was the structural transformation of Spanish industry during the 1960s. The manufacturing sector grew in real terms at an annual rate of 10.3 percent between 1958 and 1969. This growth was led by the motor vehicle and the chemical industries, both of which were stimulated by foreign capital and technology. The annual growth rates of these two key sectors were 24 and 14 percent, respectively. In the same period, labor productivity grew by nearly 8 percent per year.

Both domestic and export demand significantly contributed to the industrial growth of the 1960s and the early 1970s. The export of manufactures rose from 43.5 billion pesetas in 1960 to 191 billion pesetas in 1973, or from about 30 to 63 percent of the country's total manufacturing output.

The slowdown of the world economy caused by the increase in oil prices in the 1970s began to affect Spain in the second half of 1974. Unique among Spain's major industrial sectors, mining had been in trouble even before the price hike. It had continually experienced the slowest rate of growth during the period of expansion, and it reached its high point relatively early, in 1972. Construction was affected by the oil crises because of its relation to the booming tourist trade, which also suffered reverses in 1974. Within the manufacturing sector, textiles were particularly hard hit, and both the automobile and the shipbuilding industries faced reduced sales and cancellations. Rapidly rising unemployment and continuing inflation also indicated that the boom in Spain's industrial growth had stagnated.

The economic boom of the 1960s and the 1970s had left Spain with a large steel-producing capacity and had made it into one of the world's largest shipbuilding nations. By the mid-1970s, both of these industries experienced a production capacity glut as a result of sharply reduced global and domestic demand. Industrial retrenchment, however, was postponed during the 1970s. Sheltered to some degree from the first oil price shock by a cut in taxes on oil products—and cushioned by a high inflation rate, the persistence of negative interest rates, and protectionist tariff barriers—steel, shipbuilding, and other heavy industries continued their heavy investment in new capacity despite the downturn in world demand and the increasingly competitive international environment. Excess capacity in these industries coincided with rapidly rising labor costs and, as a consequence, with reduced competitiveness and profit margins.



*Inspecting the nets in La Coruña Province
Courtesy National Tourist Office of Spain*

One of the by-products of the country's economic difficulties was a sharp reduction in industrial employment. In addition, the 1980 recession finally forced the government to permit Spanish oil prices to rise toward world levels, while interest rates declined.

The first attempt at industrial restructuring was embodied in a 1981 law dealing with industrial reconversion. It proved difficult to implement, and a large part of the funds allocated for reconversion was siphoned off to cover losses among public-sector industrial companies. A more concerted attack was launched in 1983. The following year, a white paper on reindustrialization was issued, followed by a new law, the aims of which were to raise productivity and to restore industrial profitability by downsizing in order to restructure financial liabilities and to eliminate excess capacity and overmanning. To counterbalance these cutbacks, investment was directed toward new technologies for use in sectors that showed promise for greater growth and profit potential.

Development and expansion were encouraged in such industries as food processing, consumer electronics, defense systems, and other "growth" sectors. The industrial reconversion program was accompanied, however, by considerable worker discontent and by violent incidents. The initial financial costs of the program were high, but over time they were expected to yield considerable benefits.

By the mid-1980s, the economy had begun to emerge from a

prolonged period of stagnation and crisis. The GDP commenced its expansionary growth, rising by 2.3 percent in 1984 and by a high of 4.7 percent in 1987. Meanwhile, industrial output had succeeded in shedding its sluggishness and had embarked on a vigorous cycle of growth. Industrial production grew by 0.9 percent in 1984, by 2.2 percent in 1985, by 3.5 percent in 1986, and by 4.7 percent in 1987. Observers projected that output would somewhat decrease in 1988 and in 1989, but that it would reach growth levels of 3.8 and 3.7 percent, respectively, in these years. Despite a modest decline in the mid-1980s, Spanish economic and industrial growth continued to be the strongest in Western Europe. Indicating an expanding economy, capital goods production increased by 9 percent in 1985, despite a previous decline in 1984. In the manufacturing sector, metal fabrication and the production of precision instruments increased from 1.8 percent in 1984 to 4.1 percent in 1985. Nevertheless, production increases in minerals and in chemicals were a minimal 0.2 percent in 1985, compared with 3.3 percent in 1984. Auto assembly output soared, but iron and steel production and shipbuilding experienced sharp declines. Traditional export-oriented activities, such as petroleum refining, and textile, shoe, and leather production were suffering from reduced competitiveness.

In what probably would turn out to be the peak of the economic boom, all major economic sectors posted healthy production gains in 1987. In the wake of renewed investment demand, construction grew by an estimated 10 percent, and overall industrial growth was 4.7 percent.

Regional Concentration

Spanish industry has long been concentrated in a few areas. Traditionally, the major industrial areas were in Barcelona and surrounding Catalonia, the northern region of Asturias and the Basque provinces, Madrid, and to a lesser extent the mineral-rich southwest.

Catalonia had a concentration of processing and engineering industries, rather than basic industries. It was the dominant area for food and textile industries, and it was a center for the production of electronics. Tarragona's industrial capacity, based on a large oil refinery and a petrochemical complex, was growing rapidly. Catalonia also had a highly developed machinery industry, including the country's largest automobile plant and extensive railroad foundries and workshops, as well as diesel, electrical engineering, and various industrial equipment plants.

The northern coast and the Basque region were centers of basic industry because of their coal and iron ore deposits and their port facilities, used for raw material imports. Spain's major iron and steel works were located in the northern region, as were a number of engineering industries, shipbuilding facilities, and chemical plants.

Madrid was a major manufacturing center, producing, among other items, automobiles, electrical equipment, and aircraft. Its location in the center of both Spain and the poorly endowed Meseta Central would seem to make it a poor prospect for industrial development; however, its large population, transportation facilities, and governmental role stimulated its evolution as an industrial center. By contrast, some of the country's industrially and agriculturally poorer provinces lay in a vast arc separating Madrid from the northern coast and the Catalan areas.

National Industrial Institute

Spain's industrial sector was marked by the presence of a major subsector controlled by the government. Some of this subsector was under the control of the Directorate General for State Assets (*Dirección General del Patrimonio del Estado—DGPE*—see *Role of Government*, this ch.). By far the largest component of the public sector, however, was contained within the National Industrial Institute (*Instituto Nacional de Industria—INI*), which, since 1968, had been under the supervision of the Ministry of Industry and Energy. The Franco regime adopted extremely protectionist policies early, and it opted for a high level of direct state intervention in the economy. When INI was founded in 1941, it was intended to create or to subsidize industries in key sectors of the economy where private enterprise alone was insufficient to achieve self-sufficiency. INI, which used both direct investments and collaboration with sources of private capital, studiously avoided any involvement in the banking sector; it especially favored industries related to national defense. INI was granted powers to take over existing enterprises and to create new ones when necessary.

Few of INI's original purposes were realized. With the signing of base agreements with the United States, the armed forces, beginning in 1953, became dependent on the United States for arms equipment. INI's efforts to fill gaps in the economy were not very effective. Instead of creating efficient new industries, it tended to establish inefficient ones and to hamper the activities of private enterprise. Political favorites of the regime were permitted to unload badly run, deficit-producing firms on INI, and many of its top positions were political sinecures.

Efforts were periodically undertaken to bring INI more into line with the rest of Spanish industry, and, as a result, a more realistic approach toward the financing of industrial companies was instituted. Government subsidies were permitted to cover the deficits of those INI firms that were considered to have incurred losses unavoidably. For example, the coal-mining conglomerate, Empresa Nacional Hulleras del Norte (HUNOSA), which was set up by INI in 1967 to reorganize the coal industry, was still losing money in the late 1980s. In general, however, firms were expected to become economically viable, although many did not.

A policy change took place in 1974, however. It was decided that INI, rather than remaining in the background of the industrial sector, was to serve as the linchpin of basic industries, such as ironmaking, steelmaking, and petrochemical production, and that it was to become the prime promoter of development in high-technology areas, such as electronics and aircraft manufacture.

By the mid-1980s, the companies directly controlled by INI formed the single largest industrial group in the country, responsible for 10 percent of Spain's GDP and for the employment of 200,000 workers. INI directed more than 60 firms—sometimes having 100 percent ownership in them—as well as more than 100 of their subsidiaries. INI firms produced all of the country's aluminum; most of its ships; much of its steel, other metals, paper and pulp, and transportation equipment; and many of its commercial vehicles. It also controlled most of the country's two largest airlines: Iberia, Líneas Aéreas de España; and Aviación y Comercio (AVIACO).

A restructuring and investment program was launched in 1984 and 1985 to reduce INI's huge losses and to refocus industrial investment and expansion. The overhaul was prompted in part by a need to end INI's reliance on payments from the central government, which would no longer be permitted when Spain completed its transition into the EC. The program had some successes. In 1983 INI posted a record loss of 204 billion pesetas, but by the late 1980s the restructuring program had steadily reduced the shortfall. In its best performance since the late 1970s, the loss was cut to 45 billion pesetas (US\$421 million) in 1987. INI's improved performance was partly the result of the 1985 sale of the auto assembly company, Sociedad Española de Automóviles de Turismo (SEAT), which had lost 37 billion pesetas that year. The INI concerns that registered profits were the national airline, Iberia, the electric power utilities, food processing plants, and enterprises producing electronics, aluminum, paper, and fertilizers. Among the leading contributors to the deficit were Construcciones Aeronáuticas (CASA), Empresa

Nacional de Santa Barbara de Industrias Militares (Santa Barbara), and the coal company, HUNOSA.

INI's losses had traditionally been the largest in the "rust belt" industries—steelmaking, shipbuilding, and mining. In each of these areas, the restructuring program downgraded INI's large holdings through personnel cutbacks and the closing down of some old, inefficient plants, production yards, and mines. Investments were undertaken to upgrade industrial facilities, such as those used in a new continuous casting plant scheduled to begin operations by mid-1989. The large steel company, Empresa Nacional Siderúrgica (ENSIDESA), was expected to reach the financial break-even point by the end of 1988. In addition, the shipbuilding industry gradually was beginning to reemerge from its protracted slump.

Although INI intended to liberate itself from much of its customary heavy reliance on government subsidies, massive government support would continue to sustain the ailing shipyard and coal-mining industries. Government allocations in 1987 amounted to 150 billion pesetas (US\$1.4 billion). Aid to government-supported firms was designed to keep them operating in order to maintain employment.

Of particular note in INI's renovation was its partial privatization. In the mid-1980s, INI sold a 51 percent interest in SEAT to Volkswagen (SEAT lost US\$231 million in 1984). Minority interests, ranging from 25 to 45 percent, were being sold in the more profitable public-sector companies through public stock offerings. Shares in two electric power companies and a pulp-paper firm were offered, and observers expected that shares in Iberia and in two electric power companies would be offered in 1989. INI spokesmen, however, were quick to point out that such developments should not be interpreted as an ideological or policy-oriented commitment to privatization. They were conceived of as part of an effort to improve management of public-sector companies and to use private-sector resources to invest in modernization and expansion. The funds gained from the sale of stock in INI companies were to be used for strengthening them financially, for expanding existing programs, and for embarking on new investment strategies.

Another part of INI's restructuring strategy called for a major expansion of research and development. In the late 1980s, 1.6 percent of INI's revenues went to research and development, which was well above the overall Spanish corporate average of 0.5 percent, but far below that of foreign technologically oriented companies. The goal was to bring research and development expenditures up to 3 percent of INI's income by 1992. The plan also emphasized training and retraining for both white-collar and blue-collar workers.

Manufacturing and Construction

Iron and Steel

Spain's steel industry was located in the north at Vizcaya, Cantabria, and Asturias, and in the south at Sagunto, near Valencia. Though the steel industry had had an important presence in Spain since the second half of the nineteenth century, it had expanded greatly during the boom years of the 1960s and the early 1970s. Production had gone from 1.9 million tons in 1960 to 11.1 million tons in 1975, making the country the fifth largest steel producer in Europe and the thirteenth largest in the world. By the late 1970s, however, a worldwide glut in steelmaking capacity and the domestic economic slump had led to a severe crisis in the industry. Thereafter, the Spanish steel industry experienced an extensive contraction, not only in production capacity, but also in the size of its labor force.

Despite a 50 percent drop in domestic steel consumption, production remained at about 13 million tons per year during the early 1980s, and it reached a high of 14 million tons in 1985. High production levels were maintained through extensive exports; the two largest steel producers, the state firm ENSIDESA, and the Basque company, Altos Hornos de Vizcaya, were among the nation's most important exporters after the large automobile companies. Both of these companies and most other steel companies operated with heavy losses, however.

Membership in the EC and in the European Coal and Steel Community (ECSC) committed Spain to cutting back its iron and steel output and to reducing its overall capacity. Steel output declined almost 16 percent in 1986, to 11.8 million tons, and it fell to a slightly lower level in 1987. The government's efforts at restructuring the steel industry continued during the later 1980s with the creation of Acenor, which consolidated the producers of special grades of steel and became Western Europe's sixth largest firm of this kind. The large blast furnaces at Sagunta were shut down, and the government, which already controlled ENSIDESA and Altos Hornos del Mediterráneo, both INI firms, took a 40 percent interest in Altos Hornos de Vizcaya.

Automobile Assembly

The greatest success story of Spain's economic expansion was the rise of its large motor vehicle assembly industry. Although it started up only in 1950, by the early 1970s it had become the country's second most important industry in the manufacturing sector,



*Steel mill at Avilés in Asturias
Courtesy Embassy of Spain, Washington*

and in the mid-1980s it was the most important producer of exports. Automobile production reached 38,000 units in 1960 and increased sixfold between 1965 and 1976. By the 1980s, Spain manufactured an average of well over a million cars per year, and in 1987 it produced 1.4 million vehicles. A good part of this production was exported. In 1985, for example, about 800,000 vehicles, out of a total of 1.2 million, went abroad. By 1986 Spain's three largest exporters were Ford España, General Motors España, and SEAT. In addition to the manufacture of personal automobiles, Spain produced substantial numbers of commercial vehicles. In the mid-1980s, commercial vehicle production ranged from 130,000 to 300,000 units per year, and annual tractor production levels stood at about 16,000 units.

Spain's motor vehicle industry was located in many parts of the country. SEAT began its operations in Barcelona, while General Motors España was located in the Zaragoza and Cádiz areas, Ford España was near Valencia, and a number of companies were placed around Madrid.

Subsidiaries of foreign firms dominated the automobile industry. In 1986 Fabricación de Automóviles, SA (FASA Renault), with about 20,000 employees, was Spain's largest automotive company, as measured by revenues. SEAT—at one time a Spanish firm, but, since the mid-1980s, owned by Volkswagen—ranked

second, followed by Ford España, General Motors España, and Citroën Hispania. During the late 1970s and the early 1980s, both Ford and General Motors became major domestic automobile manufacturers. Other foreign firms involved in the motor vehicle industry included Peugeot, Mercedes Benz, Land Rover, and Japanese firms such as Nissan, Suzuki, and Yamaha.

In the late 1980s, Japanese investors sought to use Spain as a bridgehead to penetrate the West European market and to follow the example of Ford España and General Motors España, which exported about 75 percent of their output. Not all firms worked from this premise, however. Renault and Peugeot-Talbot began operations with the intention of catering to a highly protected Spanish home market.

The reviving economy of the second half of the 1980s was reflected by a strong growth in domestic demand, including that for consumer durables. Sales of new cars rose from 629,000 units in 1985 to 860,875 in 1987, an increase of about 37 percent. In accordance with the EC accession agreement, automobile imports were entering Spain in increasing numbers, and they were securing a large share of the market. In 1987 approximately 211,000 foreign-made cars were sold in Spain, an increase of 101 percent over 1986; imported automobiles increased their market share from 16 percent in 1986 to 25 percent in 1987.

Despite this increase in the sale of foreign cars, Spain's motor vehicle industry remained strong. Investments had been made in industrial robots in order to enhance productivity, and in the late 1980s labor costs were highly competitive with those of foreign producers. In late 1988, the *Economist* reported that a Spanish auto worker earned about half as much as his West German counterpart. Observers regarded Spain as well positioned to emerge as the EC's market leader in small car production.

Shipbuilding

During the economic expansion of the 1960s and the early 1970s, Spain became one of the world's leaders in shipbuilding, ranking third in 1974. Its shipbuilding industry was one of the few major industries in the country that made no use of foreign capital. Shipbuilding, both in Spain and among other shipbuilding nations, was however, one of the main casualties of the post-1974 energy crisis; following a sharp drop in orders in the late 1970s, the shipbuilding sector was in serious difficulty. Among Spain's leading industries, it was one of those most affected by production cutbacks, closings, and reductions in personnel. The number of shipbuilding

yards able to build steel-hulled vessels declined from forty-three in 1975 to thirty, ten years later.

In the mid-1980s, more than half Spain's shipbuilding capacity was located in Cádiz; other major shipyards in the south were at Seville (Spanish, Sevilla) and Cartagena. In the north, important shipyards were located at El Ferrol del Caudillo and in the province of Vizcaya. The shipbuilding industry was dominated by two state-owned firms, both belonging to the INI group, and in 1986 each had about 12,000 employees. One company, Empresa Nacional Bazán de Construcciones Navales Militares (generally referred to as Bazán), constructed military vessels. The other, Astilleros Españoles, SA (AESAs), constructed civilian ships. The next three largest firms employed a total of 4,000 persons.

After years of decline and heavy losses, in 1987 the Spanish shipbuilding industry turned the corner, showing strong gains in the construction of vessels from small- to medium-size. In 1987 deliveries totaled 340,000 compensated gross registered tons, 90,000 tons more than in 1985 or 1986. Solid increases in foreign orders were exceeded by domestic demand. Rigorous restructuring measures undertaken in the 1980s were believed to have prepared the industry for the upsurge in orders on the world market that was expected in the early 1990s.

Chemical Industry

Since the 1970s, the chemical industry had been one of Spain's largest, and it continued to grow in the 1980s. By the mid-1980s, it accounted for about 7 percent of the Spanish work force and 8 percent of the country's total industrial production. With its share of exports at about 10 percent of the national total, it was the third-largest export industry. In 1985 chemical exports stood at US\$1.8 billion, increasing by a further 16 percent in 1986. The Spanish chemical industry had received a substantial amount of foreign investment capital and new technology, and in 1987 about 30 percent of its output came from foreign-owned companies. Although many of its raw materials, including those for petrochemical production, had to be imported, the industry benefited from Spain's deposits of pyrites, potash, and mercury. The largest components of the chemical industry were those producing plastics, petrochemicals, pharmaceuticals, rubber manufactures, fertilizers, paints, and dyes. All of these areas registered substantial gains in the 1980s.

As part of its policy of merging Spanish firms into larger entities better able to compete with foreign companies, the government prodded the country's largest chemical firm, Río Tinto Explosives, to merge with the second-largest such enterprise, Cros, in 1988.

By the time the merger occurred, sizable portions of both companies were controlled by the Kuwait Investment Office (KIO), which managed both public and private Kuwaiti funds. The fertilizer interests of the two companies were combined to form a new company, Fosfórico Español, and Río Tinto ceded its considerable defense interests.

Textiles and Footwear

Since the early nineteenth century, the Spanish textile industry has been concentrated in Catalonia. Though an established industry, it lacked the dynamism of many of the newer industries and had the least impressive growth rate among Spain's manufacturing industries. It was an industry that suffered from excessive fragmentation, and, although its operations were export-based, it depended on a protected domestic market. Spain's entry into the EC removed tariff barriers to textile imports, and the industry generally found itself in difficulty. Foreign investors showed little interest in the Spanish textile industry, and in the late 1980s it was being subjected to extensive industrial modernization for greater efficiency.

The Spanish shoe-manufacturing industry was concentrated chiefly in the Valencia area and in the Balearic Islands. According to a Spanish government study, 90 percent of the country's 2,100 shoe factories had fewer than 50 employees, and a large part of the industry operated in the underground economy.

Construction

The rise and fall of Spanish construction activity tended to parallel the ebb and flow of the general economy. During the 1960s and the 1970s, a genuine boom occurred in construction, but it was more a reflection of the strong increase in tourism than a response to housing needs that had been created by industrial and urban growth. Extensive demand for hotels, apartment buildings, vacation housing, and amenities in tourist centers absorbed the attention of much of the construction industry.

During the 1974 to 1984 period, the construction industry, like the rest of the economy, was in the doldrums. The year 1985 was an especially poor one for construction, but, as the pace of economic activity increased in 1986, there was also a notable acceleration in construction. Cement consumption increased by 10.2 percent, compared with 1985; new private-sector housing starts increased by 10 percent; and construction expenditures rose by 5 percent. The construction boom was even stronger in 1987, when the industry registered an increase of 10 percent, the highest rate of growth

in all Spanish industries. In the same year, the construction sector came to represent 7 percent of the country's GDP. Strong industrial expansion continued throughout 1988, and much of Spain's new construction was concentrated on urban offices, private housing, and tourist facilities.

Employment has increased in all of Spain's nonagricultural sectors, but the construction industry showed the greatest relative increase—11.2 percent—as a result of the 88,100 new jobs it created in 1986. By comparison, there had been only 7,300 new construction jobs in 1985, and there had been a decrease of 110,400 jobs in 1984. In the late 1980s, overall construction employment accounted for approximately one-third of the industrial work force. Despite the boom, however, the sector still operated at a level considerably below its capacity in the late 1980s, and the unemployment rate among Spanish construction workers was as high as 30 percent.

Mining

Though Spain's mining sector, including the coal-mining industry, employed only 80,000 persons and was responsible for only about 1 percent of the country's GDP in the late 1980s, Spain was an important producer of minerals. It was one of the world's leading producers of slate and strontium. It ranked second in the production of granite and marble; third, in pyrites and natural sodium sulfate; sixth, in fluorspar; seventh, in kyanite and other refractory minerals; eighth, in magnesite and potash; ninth, in tantalite; and tenth, in anthracite, asphalt, and bentonite.

Spanish mineral production was of particular significance to the EC because Spain was its sole producer of mercury, natural sodium sulfate, and tantalite. Moreover, Spain mined approximately 9 percent of all EC copper, 86 percent of its antimony, 65 percent of its gold and pyrite, 47 percent of its silver, 41 percent of its lead and magnesite, 38 percent of its iron ore and tungsten, and 28 percent of its fluorspar and zinc. In addition to mining, Spain was an important processor of raw minerals, both those produced domestically and those imported from abroad. Although Spain was the most self-sufficient member of the EC with regard to minerals, imports were needed to meet about 30 percent of its needs.

In the mid-1980s, Spain's mining industry suffered from the depressed state of the world minerals market, and the production of most substances had declined. The drop in the value of the dollar, the dominant currency in the mineral trade, further reduced the sector's profits, which had already been damaged by declining sales. Spanish production of copper, tin, and wolfram all declined

by more than 75 percent in 1987 (see table 9, Appendix). The production of iron, pyrites, and fluorspar also dropped significantly in the same year. Zinc, potassium salts, uranium, and lead production remained steady during this period, however.

Energy

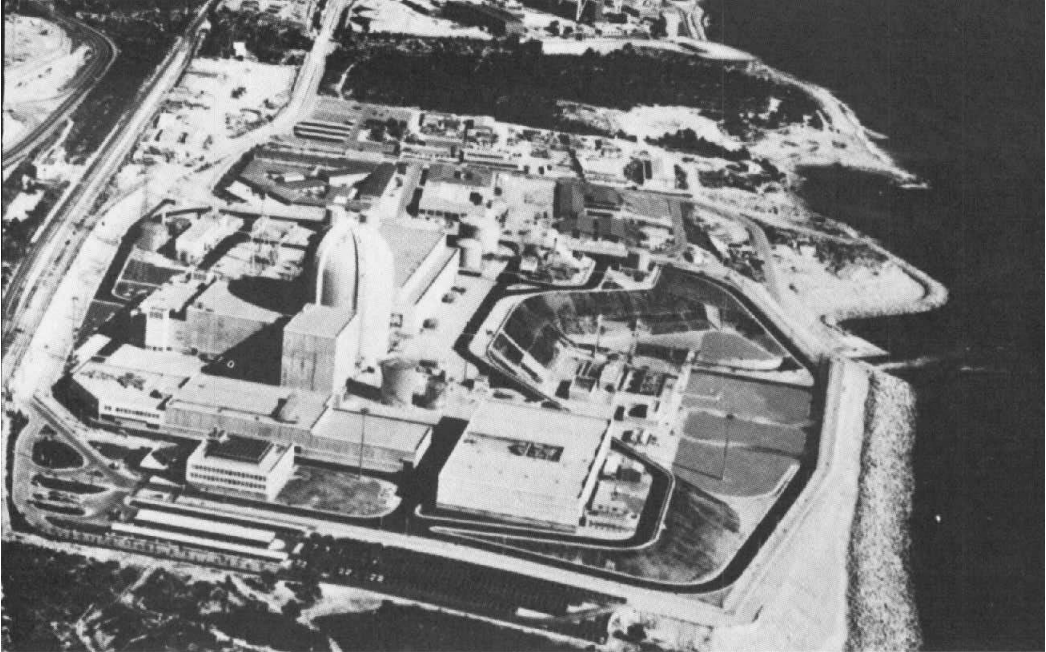
Spain is poor in energy resources, with the exception of coal. Rapid industrial growth has intensified the problems caused by insufficient oil reserves, dwindling supplies of easily accessible high-quality coal, and inadequate water for power generation. Until the early 1980s, Spain increasingly depended upon imported petroleum, and overall energy consumption continued to grow in the 1973-79 period. Following adjustment to a slower rate of economic growth and to the changed energy market of the 1970s, Spanish energy consumption declined in the early 1980s.

The National Energy Plan (Plan Energético Nacional—PEN), the basic statement of official energy policy, was first formulated in 1978. Revised in 1983 to cover the 1984-93 period, the new PEN aimed at a rationalization of energy consumption and a reduction in Spain's dependence on imported energy. It pressed, in addition, for a reorganization of the oil industry and for a financial reorganization of the electricity industry. In contrast to the 1978-87 plan, it reduced the role of nuclear energy.

Petroleum

Although oil continued to be Spain's major source of energy, it had diminished in importance significantly since 1973. Oil consumption grew steadily between 1973 and 1979, reaching 50 million tons in that last year, but by 1985 it had declined to 39 million tons. Oil accounted for two-thirds of the country's primary energy requirements throughout the 1970s, but by the mid-1980s the figure had dropped to just over half. In 1985 alone, Spanish industry saved 40 billion pesetas (US\$260 million) by replacing 500,000 tons of oil consumption with coal and natural gas.

In 1985 Mexico, responsible for 19.7 percent of Spain's petroleum imports, was the largest single supplier of Spain's energy needs, and in the mid-1980s Latin American countries provided Spain with about one-quarter of its imported oil. Africa's share—Nigeria being the most important supplier—dropped from 36.5 percent in 1985 to 29.3 percent in 1987. Middle Eastern countries provided 27.4 percent in 1985 and 29.6 percent in 1987. Western Europe's share rose from 10.6 percent in 1985 to 16.5 percent in 1987. Efforts were under way to lessen Spain's dependence on Middle Eastern oil and to increase imports from Mexico.



*Vandellós nuclear power plant in Tarragona Province
Courtesy Embassy of Spain, Washington*

In the 1980s, imported petroleum entered Spain via eight ports. The three largest, in terms of vessel capacity, were Algeciras (330,000 deadweight tons), Málaga (330,000 tons), and Cartagena (260,000 tons).

Spain possessed a small domestic oil production capability that yielded only 1.6 million tons in 1987. Despite a sizable exploration effort, only a few small fields and two medium-sized ones were discovered. The Casablanca oil field, discovered in 1983, yielded 90 percent of Spain's domestic oil production in 1987, but it was not large enough to offset an overall decline in Spanish production. The fall in oil prices in the 1980s further reduced the country's exploration efforts.

The Spanish oil industry imported and refined foreign crude petroleum; it distributed petrochemical products within Spain; and, in the mid-1980s, it exported about 10 million tons of finished petroleum products per year.

As with some other sectors of the Spanish economy, the domestic oil industry had been brought under state control. Distribution of petroleum products had been in the hands of the state monopoly, *Compañía Arrendataria del Monopolio de Petróleos (CAMPESA)*, since 1927, and large portions of the shipping and refining system were state owned. To rationalize the petroleum industry and to make it able to withstand foreign competition, the National Institute

for Hydrocarbons (Instituto Nacional de Hidrocarburos—INH) was formed in 1981 in order to direct CAMPSA and those parts of the oil, gas, and petrochemical industry supervised by INI. By the mid-1980s, INH was responsible for more than 1 percent of the Spanish GDP, and it claimed 20,000 employees. To prepare for Spain's entry into the EC, after which state monopolies were required to be phased out, all of INH's holdings, with the exception of the state gas company, Empresa Nacional del Gas (ENAGAS), were placed under a new holding company in the late 1980s. The company, Repsol, which had a stock market listing, was gradually to allow a greater role for private capital in the petroleum industry. By 1988 Repsol had become Western Europe's seventh largest petroleum company, and its management planned to continue to control about half of the Spanish market once that market was fully opened to foreign firms in 1992. EC membership rendered CAMPSA's future uncertain, for it would no longer be allowed its distribution monopoly. The Treaty of Accession that brought Spain into the EC stipulated that specific amounts of nine groups of petroleum products from foreign suppliers would have access to the Spanish market. In 1986 these products were to have a 5 percent share of the domestic market—a share that was to increase by 20 percent (of this 5 percent) each year thereafter.

Coal

Spain's coal reserves are found primarily in Asturias, with smaller deposits located near southwestern Seville (Spanish, Sevilla), Córdoba, and Badajoz, and in northeastern Catalonia and Aragon (Spanish, Aragón). Most of the country's lignite is located in Galicia. Domestic coal is generally of poor quality, and, because of the structure of Spanish deposits, it is more expensive than imported coal. In 1967 HUNOSA, a state holding company under the control of INI, was founded to direct most of Spain's coal mining, and it gradually took over the larger coal companies.

Higher oil prices have spurred domestic coal production. Annual production in the early 1970s amounted to about 10 million tons of coal and 3 million tons of lignite. By the mid-1980s, the industry produced 15 million tons of coal and 23 million tons of lignite annually. This higher rate of production was insufficient to meet domestic needs because coal had come to supply about 25 percent of Spain's needed energy, compared with about 16 percent in the early 1970s. About 5 million tons of foreign coal were imported per annum.

Over the years, there had been little change in patterns of coal consumption. Hard coal, used mainly for the generation of electricity,

accounted for 65 percent of total demand. The steel and cement industries were the two next-largest consumers.

In line with the energy rationalization policies set by PEN, the government sought to increase the efficiency of the coal-mining sector by closing down high-cost mines and by providing financial aid for the industry's modernization. To encourage the cement and other industries to convert from oil to coal, the government allowed them to import duty-free coal. The government also made efforts to substitute the use of oil for coal in urban areas.

Natural Gas

In order to reduce Spain's dependence on imported oil, PEN encouraged natural gas consumption. Efforts to redirect the use of fuels were successful, and in the 1980s the consumption of natural gas increased faster than that of any other fuel. Total natural gas demand doubled between 1973 and 1984, and in 1987 it accounted for 3.85 percent of all energy consumption. Energy planners hoped to increase this share to 7 percent by 1992.

Domestic production of natural gas began in 1984 with the development of the Serrablo field; two years later, the Gaviota field went into operation. In 1987 domestic production supplied about one-sixth of Spain's natural gas consumption, and observers anticipated that its share might rise to as much as one-third by 1990. Domestic production shortfalls were taken up by imports from Algeria and Libya under long-term contracts. In 1988 it was agreed that Spain's gradually expanding gas pipeline network would be connected to the European network, and Norwegian gas was scheduled to begin arriving in Spain in 1992.

Electricity

Although Spain's mountainous terrain would appear to be well-suited to hydroelectric power production, the scarcity of water limited such potential and was the principal reason for Spain's heavy dependence on thermal power. In 1986 only 27.2 percent of the country's electricity came from hydroelectric plants, while 50.6 percent came from conventional thermal plants, and 22.2 percent came from nuclear plants. The most important fuel for the production of electricity was coal, which generated about 40 percent of the total. In 1987 the production of electricity amounted to 132,000 million kilowatt hours—about six times the amount produced in 1960 and twice the production level of 1970. The total installed capacity of the predominantly privately owned electrical system was about

40 gigawatts—an amount large enough to meet the country's needs and to allow some exports. In the second half of the 1980s, the growth of the demand for electric power was less than anticipated, and Spain had a supply adequate to last until the mid-1990s. The Spanish level of per capita electric power consumption was among the lowest in Western Europe, surpassing only those of Greece and Portugal.

A key element in the future of Spain's electric power industry was the role to be assigned to nuclear power. Nuclear power was an important factor because of scarce petroleum reserves, the limited potential for hydroelectric power production, and the presence of significant uranium deposits. The first PEN, drawn up in 1978, emphasized the role that nuclear power would play in meeting the nation's ever-increasing need for electricity. The revised PEN of 1984 postponed the opening of the Lemoniz Nuclear Power Plant for political reasons, and it continued the mothballing of three other nuclear plants. The government decided, nonetheless, that if the demand for electricity increased by more than 3 percent, work on one of the plants might be restarted. The new PEN also emphasized the benefits of increased natural gas consumption.

Services

Banking

By the late 1980s, the Spanish banking system had been undergoing sweeping changes for some time. Its structure was largely a throwback to the post-Civil War period of the Franco era, when Spanish private banks played a leading role in financing the development of industry. As financial backers of the Nationalist cause, they had won Franco's confidence and gratitude, and they were given a relatively free hand during the reconstruction period. With the adoption of an economic policy that emphasized self-sufficiency and barred foreign investment capital and banking competition, their role was strengthened. It has been estimated that, by 1965, the five leading private banks controlled over 50 percent of Spain's capital. Their influence extended not only to the private sector, but also to such autonomous institutions as INI and the state railroads. Subsequently, as industry grew stronger, many of the banks' equity holdings were sold to the public through stock exchanges. The banks, however, continued to play a vital role in providing new funds for industry.

Supervision of all Spanish financial institutions rested with the Ministry of Economy, Finance, and Commerce. Subordinate to this ministry, and responsible for overseeing the country's banking

system, was the country's central bank, the Bank of Spain. Formed in 1847, and granted the sole right to issue currency in 1874, the bank was nationalized by the Bank Reform Law of 1962. In addition to supervising the rest of the banking system and setting reserve requirements, it carried out the government's monetary policy through open market operations, and it oversaw foreign exchange along with the Directorate General for Foreign Transactions. In 1977 the Bank of Spain had helped set up the Deposit Guarantee Fund, which protected deposits in troubled banking institutions.

Of the three main groups of banks in the Spanish banking system—private banks, savings banks, and official credit institutions—private banks were the most important. In 1962 private banks were divided into commercial banks and industrial banks. The latter had the right to invest a higher proportion of their resources in equity holdings than the former, and they specialized in industrial investments. Commercial banks, which were larger and more numerous, served the general public; they were the principal source of short-term credit for the private sector, though they also competed for long-term loans. By the late 1980s, the distinction between the two kinds of banks had lost much of its meaning, for each had gradually been allowed to operate in the other's area of specialization.

Although in the second half of the 1980s Spain had about 100 private banks—a quarter of which were industrial banks—the field had long been dominated the Big Seven, seven large commercial institutions: Banco Español de Crédito, or, as it was more commonly known, Banesto; Banco Central; Banco de Bilbao; Banco Popular Español; Banco de Santander; Banco de Vizcaya; and Banco Hispano Americano. By the 1980s, these banks had direct or indirect control of approximately 80 percent of the country's banking resources.

The leading banks controlled huge industrial portfolios, by far the largest in Spain. The market value of these holdings was not known, but analysts estimated that Banesto possessed about US\$3 billion, and Banco Central, about US\$1 billion. These large Spanish banks were present in virtually every area of finance. Beyond their industrial holdings, they also possessed extensive retail networks. Because Spain did not have an adequate pension fund system, many Spaniards invested their savings in order to provide for their retirement. Consequently, there were 5 million retail investors among Spain's 39 million people, the highest proportion in Europe.

Banking can be said to be the last redoubt of Francoist economic autarchy. Banks had grown during the Franco period by borrowing

cheaply from their customers and then selling their services at huge margins. During the late 1970s and the early 1980s, when a number of banks found themselves in serious difficulties, the government, for the first time, permitted their purchase by foreign banks. When it became clear that the more sophisticated foreign banks were rapidly making inroads into the traditional preserves of the large Spanish banks, however, the government closed the door to their further influx. Foreign banks were no longer to be allowed entry into Spain before the 1992 deadline set by the EC integration agreement, so that the Spanish banking system would have the maximum amount of time to modernize.

By the second half of the 1980s, Spanish banks were still not internationally competitive. The banks tended to be greatly overstaffed, and they possessed far too many branches, compared with their West European counterparts. Only in Belgium were there more branches per capita. In addition, the inadequate investments of Spanish banks were compensated for financially by the overpricing of services for bank clientele. An EC report of the late 1980s indicated that, in order for the costs of financial services in member states to be harmonized, those of the Spanish banking system would have to be cut by 34 percent. In comparison, those of French banks would have to be reduced by 24 percent, and those of British banks, by 13 percent.

The pressure to revamp Spain's banking industry was, therefore, very great. Mergers were undertaken with the government's encouragement in order to create large Spanish financial holdings that could adequately compete with their European rivals. Although an attempted merger of the Banco de Bilbao and Banesto fell through in 1987, in early 1988 a successful union took place between the Banco de Bilbao and the Banco de Vizcaya. This merger resulted in the creation of Western Europe's thirty-second largest financial institution, the Banco Bilbao-Vizcaya. In 1988 the planned merger of the two largest private banks, Banco Central and Banesto, fell through, but analysts expected that, before 1992, the Big Six of the Spanish banking industry might, through various mergers, become the Big Three or the Big Four.

The second major group in the banking system consisted of savings banks, which predominated in rural areas that could not attract branches of the leading private banks. These banks did not come under the control of the Bank of Spain until 1971, having previously had their own official governing body, the Credit Institute for Savings Banks. Heretofore, they had generally accounted for about one-quarter of total lending in the private sector. Since the late 1970s, savings banks have raised their share of total

national deposits from 34 percent to 45 percent—a feat that was accomplished despite severe restrictions. In the mid-1980s, these restrictions were gradually being relaxed. For example, barriers that limited their operations to specific areas or regions were lifted in June 1988, and by 1992 they were to be free to open up branches anywhere in the country. In terms of deposits, the Barcelona-based Caja de Pensiones para la Vejez y de Ahorros de Cataluña y Baleares, popularly known as La Caixa, was the country's largest savings bank. Another large savings bank was La Caja de Madrid. After the relevant restrictions were lifted, a large-scale merger process commenced among savings banks. This trend appeared likely to become a substantial factor in the country's savings banks' operations.

Legally, savings banks were nonprofit institutions, but in reality they were quite profitable; in 1987, for example, they were more profitable than rival commercial banks. One reason for this was that savings banks were self-financed foundations without stockholders. The seventy-seven savings banks operating in the late 1980s lent mostly to families and to small and medium-sized businesses.

The third leg of the Spanish banking industry consisted of official credit institutions, each with a specialized sphere of influence. These credit institutions were under the control of the Directorate General for State Assets (Dirección General del Patrimonio del Estado—DGPE), and they were supervised by the Official Credit Institute (Instituto de Crédito Oficial—ICO), which received funds from the state that were then lent to the credit institutions. The largest of these was the Industrial Credit Bank (Banco de Crédito Industrial), which specialized in general industrial loans. The Mortgage Bank of Spain (Banco Hipotecario de España) provided mortgage loans for urban and rural properties. The Agricultural Credit Bank (Banco de Crédito Agrícola) provided credit for agriculture and related sectors. Provincial and municipal administrative bodies were served by the Local Credit Bank (Banco de Crédito Local).

Also under the ICO, but only partially so, was the Overseas Trade Bank (Banco Exterior de España), which had been founded in 1923 to promote exports. More than half the bank's capital was in private hands. In addition to its participation in foreign trade, it competed with domestic commercial banks and ranked just below the former Big Seven in terms of its size. Like the official credit institutes, the Overseas Trade Bank was among those bodies belonging to the DGPE.

Analysts expected the increasing financial liberalization of the Spanish banking system to affect the status and the functions of the country's public banks. The freeing of funds tied up in

government-required investments would eliminate the “privileged circuits” through which funds at low interest rates were normally channeled into such investments. In mid-1988 legislation was being prepared that would redefine the role of publicly owned banks by converting them into subsidiaries of the ICO and by forcing them to finance themselves at market rates. To assist them in adapting to these new circumstances, a period of gradual adjustment lasting as long as fifteen years was being considered, during which they could continue to depend on financing from the Ministry of Economy, Finance, and Commerce.

Stock Market Exchanges

Spain’s four stock market exchanges, located in Madrid, Barcelona, Bilbao, and Valencia, were also undergoing accelerated modernization in the late 1980s. Nevertheless, the country’s nearly 200 powerful exchange and stock market agents (*agentes de cambio y bolsa*) exercised a monopoly on all equity transactions, as they had for over a century and a half. These agents, who were required to take civil service examinations and to perform bureaucratic functions, were government employees for all practical purposes, but many of them earned as much as US\$1 million a year.

Under the Securities and Market Reform Act of 1988 (*Ley de Reforma de Mercado de Valores*), stock market operators were to be attached to brokerage houses, several dozen of which were established in 1987 and 1988. These houses either dealt in shares, and were known as *sociedades de valores* (SVs), or they functioned as brokers to third parties and were called *agencias de valores* (AVs). Other planned changes in the stock market system included eliminating fixed commissions, establishing a strict regulatory body, and creating continuous trading and electronic bookkeeping systems.

Spanish stock markets had traditionally been notoriously undercapitalized, and both domestic banks and foreign interests had been excluded from their operations. The government’s intention was to make Spain’s stock markets more competitive and to allow them a greater role in the country’s capital market. Most major transactions had previously taken place outside the stock exchange, but now Spanish banks were to be granted entry to the domestic securities market, and foreigners were to be allowed access to it on equal terms by 1992. In the interim, the country’s stock markets were being given several years of breathing space in order to prepare for this challenge.

Transportation and Communications

Spain’s road network covered 320,000 kilometers in 1986. Of

the total, 2,000 kilometers were superhighways and 20,000 kilometers were main roads (see fig. 11). Fewer than 2,000 kilometers of the network consisted of toll roads. In the 1980s, road transport was by far the most important method of moving people and goods. In 1983 roads accounted for 90 percent of all interurban passenger travel. Railroads accounted for 7 percent, and aviation, for 3 percent of the total. Internal freight traffic figures were similarly weighted toward road transport; the shares of mileage in this category were road, 73 percent; marine, 18 percent; railroad, 7 percent; and aviation, 2 percent. About 75 percent of the people entering or leaving Spain travelled by road, but nearly 90 percent of imported or exported goods were transported by sea.

By the late 1980s, Spain's road system was in need of upgrading. The local road network was so extensive, however, that improving it was fraught with difficulties. The network of major roads, accounting for 80 percent of the country's traffic, was gradually being upgraded under a succession of long-term plans, none of which was very successful. The 1984-91 General Highways Plan, directed by the Ministry of Public Works and City Planning, envisioned the construction of 5,000 kilometers of highways.

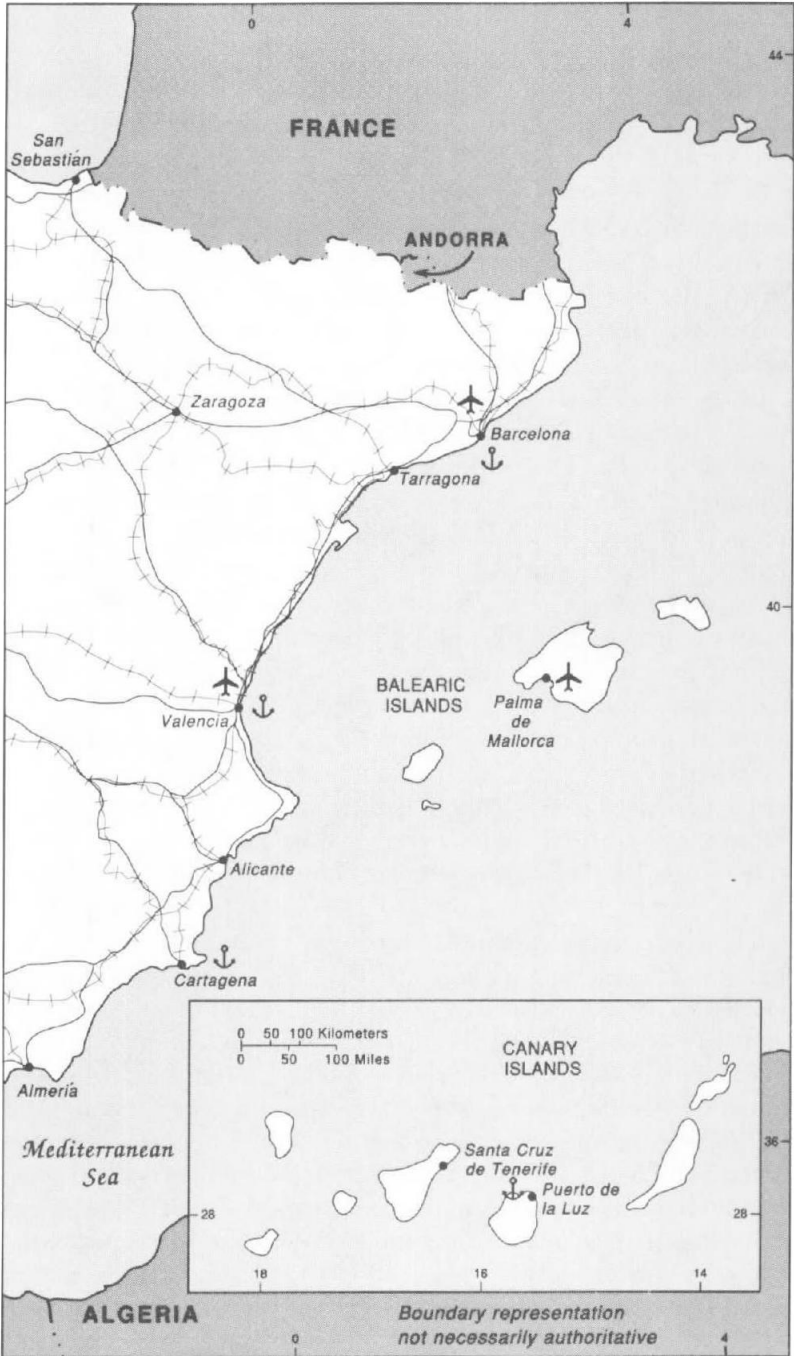
Railroad construction began in the middle of the nineteenth century with the aid of foreign capital. In 1941 the many poorly run railroad companies were nationalized and then united through the creation of the Spanish National Railroad Network (Red Nacional de los Ferrocarriles Españoles—RENFE). RENFE had its own statute. It was not operated by any of the state holding companies, but instead was supervised by a board nominated by the minister of transportation, tourism, and communications. After nationalization, the system continued to experience difficulties, losing much of its freight and passenger traffic to road transportation. An impediment to its use for international traffic was that the track gauge of most of the RENFE system differed from that of neighboring countries. Traffic in parts of the system was so light that in 1984 the government decided to reduce the system by 3,500 kilometers, and in 1985 it removed 1,000 kilometers from operation. As of the mid-1980s, the Spanish state railroad system totalled about 13,000 kilometers, half of which were electrified. A major thirteen-year renovation program was announced in 1986.

Spain made little use of inland shipping, but nearly 90 percent of all transport in and out of the country was accomplished by sea in the early 1980s. At the end of 1987, the Spanish merchant fleet consisted of 957 ships of at least 100 gross tons, and it had a total gross tonnage of 4.6 million tons. There were, however, an excessive number of companies engaged in shipping, some of them

Spain: A Country Study



Figure 11. Transportation System, Mid-1980s



owning but a single vessel. In addition, many companies did not have the resources to upgrade their ships, and the fleet suffered from obsolescence. An indication of the troubles of the Spanish shipping industry was that the largest shipowner in the country, the Industrial Credit Bank, had to attach liens to many of its ships.

Spain had some 200 ports in the 1980s. The ten largest ports—Cartagena, Santa Cruz de Tenerife, Bilbao, Barcelona, Gijón, Avilés, Puerto de la Luz, Huelva, Valencia, and Seville—accounted for 75 percent of all maritime traffic. Since the 1960s, there had been a good deal of investment in port facilities, and Spanish ports were able to handle all types of shipping.

In the mid-1980s, Spain had approximately forty airports that were open to civil aviation, about half of which could receive international flights. Two airlines dominated Spanish commercial aviation—Iberia, Líneas Aéreas de España (generally known simply as Iberia) and Aviación y Comercio (AVIACO). In addition, there were four airlines that offered charter services. During the 1980s, air transport attracted an increasing share of the traffic previously carried by RENFE and by the country's shipping companies. Spain's size encouraged the use of aircraft for domestic travel, and Iberia and AVIACO had exclusive rights in this area. Demand was at times too heavy to be met adequately, and fares were so low that domestic operations were not particularly profitable. Iberia had experienced grave economic difficulties in its overseas operations in the late 1970s and the early 1980s, but business improved in the second half of the decade (see National Industrial Institute, this ch.).

The National Telephone Company of Spain (Compañía Telefónica Nacional de España—CTNE), popularly known as La Telefónica, was established in 1924 as a subsidiary of the American-owned International Telephone and Telegraph Company (ITT). The company was granted exclusive monopoly rights for the installation of telephone service in 1945, when it was nationalized. CTNE's operations were supervised by DGPE, and as of 1984 the government had a 31.5 percent interest in the company. In an effort to modernize its telecommunications network, CTNE entered into technology agreements with a number of West European, Japanese, and United States companies, and it also obtained stock market listings in Frankfurt, London, Paris, Tokyo, and New York. In addition, CTNE planned to invest 260 billion pesetas—a tremendous increase over earlier years—with the aim of becoming a guiding force in Spanish high technology. An indication that there was room for the company to grow was that Spain had a mere 369

telephones per 1,000 inhabitants in 1985, a figure that lagged well behind most other EC countries.

The Postal Service, which included the national telegraph system, was operated by the Ministry of Transportation, Tourism, and Communications. Its headquarters was in the Palace of Communications in Madrid. One of the services offered by the Postal Service was a network of postal savings banks, which had been established in 1916.

Tourism

Although historical sites and unique cultural features had always made Spain attractive to foreign visitors, the tourist boom that began in the mid-1950s was based primarily on the recreational assets of the Mediterranean seashore areas. The country had fewer than 1 million tourists in 1950, but the number rose steadily, reaching more than 34 million in 1973 and 50.5 million in 1987 (see table 6, Appendix).

The tourist boom had a significant, and not wholly beneficial, impact on the Spanish economy. Though it was a welcome source of foreign exchange and created new employment opportunities, it also diverted capital investment and construction efforts away from more stable economic activities to a sector subject to seasonal fluctuations, the whims of fashion, and worldwide economic conditions.

Nonetheless, the importance of tourism to the Spanish economy was substantial. Net tourist receipts averaged about 5 percent of GDP in the early 1970s, but in 1987 that figure rose to almost 10 percent, as receipts rose to US\$14.7 billion—more than enough to cover the country's merchandise trade deficit. On a net basis, Spain's tourist revenues were the highest in the world. The United States had higher gross revenues, but its tourist expenditures exceeded revenues by a considerable margin.

Spain's 50.5 million foreign visitors in 1987 constituted 12 percent more than had come in 1986. Most of them came from the EC, with France, Portugal, Britain, and West Germany leading the way. American tourists accounted for less than 2 percent of the total, but they spent more per person than their European counterparts, making the United States the second source of tourist receipts after Britain. Tourism was projected to remain strong in 1988, with a 5 percent increase in visitors. Tourist sector spokespersons were more concerned about raising tourist spending, however, than with increasing the number of visitors. The average expenditure per foreign visitor increased only 2.4 percent in 1987.

The most popular resort areas were the Balearic Islands and the Mediterranean coastal areas. The Balearic Islands generally

accounted for about 34 percent of the number of nights foreign tourists spent in Spain; the Costa Brava and the Costa Dorada, stretching from the French border through Barcelona to Tarragona, accounted for 22 percent; and the Costa del Sol and Costa de la Luz, extending from Almería on the southern—or Mediterranean—coast to Ayamonte on the Atlantic coast at the Portuguese border, accounted for 12 percent. The distant Canary Islands attracted 13 percent of Spain's foreign guests, and land-locked Madrid was host to 8 percent. Cultural festivals were instituted in Santander and Madrid in an effort to increase the attractiveness of these cities. The seaside resorts continued to dominate the tourist industry, however, despite considerable government effort to stimulate interest in visiting historical and cultural sites.

Although areas on the northern coast facing the Bay of Biscay were accessible to the rest of Europe and had good weather in the summer, when most Europeans and Americans took their vacations, their share of the tourist trade was only about 3 percent. San Sebastián was the center of the tourist industry on the Bay of Biscay, and nearby towns were also popular, but their allure was limited by tourist apprehensions over continuing political turbulence and violence in the Basque region.

Tourist centers farther to the west, on the Cantabrian coast and in Galicia, were not so commercially developed as the better known Basque or Mediterranean resorts. Accordingly, their appeal to tourists was their traditional Spanish flavor. They also provided visitors with less elaborate, but also less expensive, accommodations.

Like most nations dependent on tourist trade, Spain was concerned about the underutilization, and sometimes overutilization, of facilities that was caused by seasonal variation in weather. These variations caused marked differentials in monthly tourist revenues and international trade receipts. July and August were the most active months; February was the least active. Efforts were made to develop winter sports facilities in order to increase the number of tourists visiting Spain during the colder months; however, competition from France, Switzerland, and Austria, where snow conditions were more reliable, constituted a formidable obstacle to success in this area.

Tourism was recognized, even before World War II, as an important economic activity worthy of government support. A chain of official hotels, known as tourist inns (*paradores*), was initiated at historical sites in the 1920s during the Primo de Rivera regime, and it was extended during the postwar years. Tourist promotion was a function of the Ministry of Interior until 1951, when the Ministry of Information and Tourism was created. In the late 1980s,

*Beach in
Alicante Province
Courtesy National
Tourist Office of Spain*



*View of the city and port of
Las Palmas de Gran Canaria,
Canary Islands
Courtesy National
Tourist Office of Spain*



the Ministry of Transportation, Tourism, and Communications took on this responsibility. The National Tourist Company, a state-owned enterprise, was engaged in the construction of hotels and tourist complexes.

Tourist promotion encompassed such routine activities as advertising and distributing maps, information folders, and lists of accommodations and shops. In addition, tourist offices were maintained in major foreign cities in order to encourage, to advise, and to assist people planning visits to Spain. Within the country, tourist assistance was provided by a network of more than seventy local tourist information offices found in all major cities and sites of interest.

Although most tourist accommodations were privately owned and operated, there was considerable government supervision of the industry. All restaurants and hotels were inspected, classified, and controlled by the Ministry of Transportation, Tourism, and Communications. Prices for meals and accommodations were controlled, and establishments catering to tourists were required to maintain complaint books which were intended to help the ministry's inspectors identify any shortcomings. In addition, the government operated a number of accommodations. These establishments included the above-mentioned *paradores*, many of which were converted castles, palaces, or other buildings of historical or cultural interest. Government-operated inns (*albergues*) were maintained on highways away from larger cities and towns, and many areas had hostels (*hosterias*), which were government-operated restaurants featuring traditional regional dishes. The ministry also maintained a number of mountain lodges (*refugios*).

Foreign Economic Relations

Spain has had a long legacy of tariff protectionism and economic isolationism, and until the 1960s it remained outside the West European and international economic mainstreams. Spain's effort in the late 1980s to accelerate its integration into the EC customs and economic structures resulted in a drastic accommodation to international and West European trading standards.

When Spain embarked on a period of economic modernization in the 1960s, its foreign trade, as a percentage of overall economic activity, was below the average for other major West European countries. Exports and imports amounted to about 16.5 percent of the Spanish GDP in 1960. During the 1960s, Spain's foreign trade increased at an annual rate of about 15 percent; in the 1970s, it grew at an even higher rate. After the oil price increases of the 1970s slowed the world economy, Spanish trade expanded less rapidly. By 1984, after a period of sluggish growth, foreign trade

made up about 25 percent of the country's GDP. According to the *Economist*, in 1987 Spanish imports and exports, respectively, accounted for 16.8 and 11.7 percent of the nation's GDP. These figures indicated an increasing linkage with the world economy, but even in the 1980s foreign trade played a smaller role in Spain's economy than it did in most other European countries.

Spain has not had a positive trade balance since 1960, when exports of US\$725 million exceeded imports by US\$4 million. In 1961 imports were about one-third larger than exports—a quantitative relationship that, for the most part, has held steady ever since then, despite enormous increases in Spanish exports. In the mid-1980s, Spain's trade deficits ranged from just over US\$4 billion in 1984 and in 1985 to US\$13 billion in 1987, when merchandise imports amounted to US\$49.1 billion, and exports, to US\$34.2 billion. A booming economy with strong domestic demand was responsible for a surge of imports in 1987—an increase of 25 percent, compared to 1986.

Spain's chronic trade deficits were often offset by large earnings from the tourist industry and by remittances from Spaniards working abroad. The revenue from these two sources often allowed invisible receipts to exceed the trade deficit, the result being a surplus in the nation's current account balance. In 1983 Spain's current account balance registered a deficit of US\$2.7 billion, but this was followed by surpluses during the next four years. In 1985 the surplus amounted to US\$2.8 billion, and in 1986 it was US\$4.2 billion. The surplus for 1987 was only US\$184 million but, as capital goods made up much of that year's imports, economists were not alarmed.

Although famous for its production of citrus fruits, olives, and wine, about three-quarters of Spain's exports consisted of manufactured products in the mid-1980s (see table 10, Appendix). In 1986 and in 1987, manufactured goods made up 74.4 and 72.4 percent of the country's exports, respectively, while foodstuffs accounted for 16.1 and 17.6 percent, respectively. In these two years, raw materials made up about 4 percent of Spain's exports, and fuel products, about 6 percent. Merchandise imports generally exceeded merchandise exports by about one-third. In the 1980s, manufactured goods constituted about two-thirds of all imports, fuels as much as one-fifth, and other raw materials and foods about one-tenth each.

Trading Partners

Ever since steps were taken in the 1960s to liberalize Spain's economy, its trade with West European countries had steadily expanded.

In 1973 EC countries accounted for 47.8 percent of Spain's exports, and they provided 37 percent of its imports. In the early 1980s, this ratio had not changed significantly; in 1982 the respective figures were 48.6 and 31.8 percent. After Spain's accession to the EC, however, the balance shifted radically; in 1987 some 63.8 percent of Spain's exports went to the EC, while the EC supplied Spain with 54.6 percent of its imports (see table 11, Appendix). In 1987 France was Spain's most important trading customer, taking 18.9 percent of its merchandise exports; West Germany was the largest source of imports, supplying 16.1 percent of the total. The United States, which was Spain's single most important trading partner in the 1970s, accounted for just over 8 percent of both imports and exports in 1987. Increased trade with the EC caused Spain's economic interaction with most of the rest of the world to decline on a relative basis. This decline was most marked with regard to the Organization of Petroleum Exporting Countries (OPEC), which supplied Spain with 26.8 percent of its imports and received 5.3 percent of its exports in 1982, compared with 9.5 and 6.5 percent in 1987.

Foreign Investment

Since the late 1950s, foreign investment has played an increasingly crucial role in Spain's economic modernization. One of the first and most significant steps included in the Stabilization Plan of 1959 was granting foreigners permission to buy Spanish securities. In 1963 this measure was supplemented by allowing foreigners the right to secure majority interest in Spanish companies, except those engaged in fields deemed to have strategic importance. As a result of these actions, there was a large influx of foreign capital into Spain.

Spain was attractive to foreign investors not merely because it offered opportunities for participating in a rapidly expanding domestic market, but also because it served as a base for further export and trade with EC countries. This was a leading factor in Ford Motor Company's 1974 decision to build an assembly plant near Valencia, and in General Motors' entry into the Spanish market. Japanese companies also intensified their investments and presence in Spain with similar goals in mind. Low-cost labor was another attraction for foreign investors, though not to the same extent as in the 1960s and the 1970s.

In compliance with the EC accession agreement, rules governing foreign investment in Spain were adapted to EC standards in 1986. The new measures streamlined administrative procedures and reduced the number of sectors in which foreign ownership was

restricted. The requirement for prior authorization of investments was replaced by one calling merely for prior notification. Notification had to be given when the investment was for more than 50 percent of a Spanish enterprise, when it constituted a re-investment by foreigners, or when its goal was the establishment of branches of foreign companies on Spanish soil.

The influx of foreign investment was extremely large during the 1980s, almost tripling between 1982 and 1987. Some of it took the form of speculative investment, attracted by high Spanish interest rates. More than half of all new foreign investments in Spain represented an expansion of previously existing investments; nearly one-third were in the chemical industry and in the nonfuel mineral processing sector. EC countries became the most important source of investment (see table 12, Appendix). The United States, nonetheless, still accounted for about 20 percent of the cumulative foreign investment total. It was expected that, if negotiations being conducted in 1988 for a United States-Spain treaty to avoid double taxation were successful, United States investment might increase.

Spanish direct investment abroad, for which regulatory restrictions were liberalized in 1986, doubled to 101 billion pesetas in 1987. EC countries accounted for 64 percent of the total, with the Netherlands, West Germany, and Portugal being the largest recipients. Investments in the United States fell to 8 percent of the total. Spanish investments in Latin America, especially in Mexico and in Argentina, declined sharply because of heavy debt burdens in that region. By the late 1980s, analysts estimated that Latin America accounted for only 4 percent of Spain's foreign investments.

Spain and the European Community

The year 1992 promised to be one of the most momentous for Spain in the twentieth century. The Summer Games of the XXVth Olympiad were to be held in Barcelona; the five hundredth anniversary of the discovery of the New World was to be celebrated in Seville, with an ambitious international exposition known as Expo 92; and Madrid had been designated as Europe's cultural capital for that year. Moreover, 1992 would mark the culmination of a forced march to modernize the country's economic, social, and financial institutions, because Spain would be fully exposed to the bracing winds of unfettered economic competition from the members of the EC. By the end of 1992, the EC's plan to eliminate barriers to trade, employment, and the flow of capital across the twelve member states' borders was to take effect.

Spain's long adherence to protectionism had been a major factor in its technological and economic backwardness. The Socialist government's commitment to economic modernization and to Spain's integration into the European economic mainstream thus represented a historic landmark. The end of authoritarian rule in 1975 led Spain to embrace a system of political democracy, but changes in the economic sphere proved more difficult. In the 1980s, true economic modernization was only beginning, as the González government cast Spain's national goals in terms of increasing its competitiveness, both within Europe and around the world.

The Spanish economy had long functioned on a two-tiered basis. One part—including most notably the automobile manufacturing and chemical industries—was technologically advanced. An even larger part was accustomed to operating inefficiently, protected from outside competition and highly fragmented into a host of small and medium-sized enterprises that accounted for as much as 90 percent of Spain's commerce and industry. It was in this second economic area that the brunt of accelerated change was being felt in the second half of the 1980s, as many small, inefficient concerns faced the effects of free market competition.

Spain had been trying to join, or to align itself with, the EC since 1962. The barriers to Spanish membership were primarily political, and they reflected varying degrees of European hostility to the Franco government rather than fear of economic competition. Among the members of the EC, only Italy and France, with similar agricultural export commodities, had substantial economic motives for opposing Spain's entry into the EC.

After long negotiations, which began in 1962, Spain and the EC signed a preferential trade agreement in June 1970. The agreement called for mutual tariff reductions, ranging from 25 to 60 percent, to be applied gradually over a six-year period. Quantitative restrictions for a number of items were eased under a special quota system.

At the end of the Franco era, little attention was given to Spain's urgent economic problems. Spaniards and their post-Francoist governments tended to regard membership in the EC as a symbolic political act that obtained recognition for Spain's return to democracy, rather than as a portentous economic policy decision irretrievably linking Spain's economic future with that of Europe. The result was that, although Spain had applied for membership nearly a quarter of a century earlier, little national debate took place prior to the signing of the 1985 accession agreement, which was concluded only after arduous negotiations.

The accession agreement called for gradual integration to be carried out over a seven-year period, beginning on January 1, 1986. This adjustment transition involved a number of significant features. Customs duties were to be phased out as of March 1, 1988, and industrial tariffs on EC goods were to be phased out on a reciprocal basis until January 1, 1993. Additional import levies, most notably Spain's tax rebate on exports, were to disappear upon its entry into the EC. With some exceptions, import quotas were to be removed immediately. Quotas on color television sets and tractors were to be eliminated by the end of 1988, and those for chemicals and textiles, by the close of 1989.

In principle, EC-based companies were free to invest in Spain. National assistance programs for industrial projects were subject to strict EC regulations, but special allowances were made for the steel industry, and Spain was allowed to keep its 60 percent local content rule for automobile manufacturing until the end of 1989. Spain became subject to EC antitrust rules immediately, however.

Spain was obliged to adhere to EC product and consumer protection standards at once. Like other EC members, Spain was required to levy a value-added tax (VAT—see Glossary), which was the EC's principal source of revenue. Spanish workers were to be able to circulate freely and seek employment in the EC by 1993.

Phased alignment with the EC's Common Agricultural Policy (CAP) was to be completed only in 1996. The Spanish widely regarded this as a discriminatory action taken by EC countries to prevent imports of Spanish tomatoes, olive oil, and wines until as late a date as possible. Spain's fishing industry, the largest in Western Europe, received the right to fish in most EC waters, but its catch was sharply restricted until 1995.

Despite a favorable attitude toward the establishment of an eventual EC-wide monetary union in the late 1980s, the government was reluctant to commit the peseta to stabilization within the European Monetary System (EMS) because of its over-valued exchange rate. In mid-1988 the Bank of Spain took what was regarded as a symbolic step toward full membership in the EMS by formally accepting the 1979 Basel agreement. By the terms of the agreement, EC central banks made 20 percent of their gold and foreign currency reserves available to the European Monetary Cooperation Fund, against the equivalent in European Currency Units (ECUs—see Glossary). The subject of the peseta's inclusion in the ECUs, in all likelihood a prerequisite of Spain's full participation in the EMS's exchange-rate system, was to be taken up in September 1989, when the composition of the next ECU would be determined.

The Spanish government sought special treatment for the peseta, the exchange rate of which was considered inflated. Such an arrangement would permit relatively wide margins of fluctuation similar to those enjoyed by the Italian lira. The International Monetary Fund (IMF—see Glossary) urged Spain's early membership in the EMS, and the pressure to reach a decision on this EMS question was bound to increase when Spain assumed the EC presidency during the first half of 1989.

In the late 1980s, some of the more painful aspects of Spain's integration into the EC were cushioned by the country's expansionary economic boom, the continuing fall in oil prices, a sharp reduction in the exchange value of the United States dollar, and the massive inflow of foreign investment, as numerous foreign multinational companies endeavored to participate in Spain's expanding consumer market. Observers expected that Spain's industrial enterprises, especially the more inefficient and backward ones, would be absorbed by more modern domestic and foreign entrepreneurs or would cease operations. Over the long term, however, the Spanish economy was expected to resemble that of its more advanced EC counterparts much more closely by the year 2000 than it had in the past.

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Although there is a growing literature in Spanish and in English on the Spanish economy during the Franco regime (1939–75), there is little available in English on the post-Franco period, with the notable exception of Ramón Tamames's classic and encyclopedic *The Spanish Economy*. Among the more useful books on the Franco period, in English, are Joseph Harrison's *The Spanish Economy in the Twentieth Century* and Stanley Payne's *The Franco Regime, 1936–1975*. For information and analysis of industrial, financial, and economic developments in more recent years, readers should consult the annual country surveys of the OECD and the quarterly *Country Report: Spain* and the annual *Country Profile: Spain*, both published by the Economist Intelligence Unit. The annual reports of the Bank of Spain also are particularly useful. Current statistical data can be found in the *Anuario Estadística*, a yearbook issued by the Spanish government's statistics bureau, the Instituto Nacional de Estadística. For up-to-date information on government and private-sector economic activities, London's *Financial Times* and the *Economist* provide some of the most comprehensive coverage and also publish survey supplements on various aspects of Spanish economic and financial activities. (For further information and complete citations, see Bibliography.)

Chapter 4. Government and Politics



Political discussion

SPAIN'S TRANSFORMATION from a rigid, authoritarian, highly centralized regime into a pluralistic, liberal parliamentary democracy with considerable regional autonomy stands as one of the more remarkable political developments of the twentieth century. That this was accomplished without civil war or revolutionary upheaval and in the midst of unfavorable economic circumstances is all the more extraordinary. Despite decades of living under a repressive dictatorship, most Spanish citizens adapted readily to the new democratic system, and they turned out in large numbers for referenda and elections.

The institutions established under the new democratic regime were based on the principles of modernization and decentralization. The 1978 Constitution, which enjoyed massive popular support, established Spain as a democratic state ruled by law. Spain's form of government is that of a parliamentary monarchy, with political power centered in the bicameral Cortes (Spanish Parliament).

One of the most striking features of Spain's new governmental system is the devolution of power and responsibility to the regions. Regional differences had been the source of long-standing tensions between the center and the periphery in Spain. The 1978 Constitution addresses these conflicts by providing for an unprecedented degree of regional autonomy, although not all Spaniards have been satisfied with the pace of the devolution process. At the same time, the relationships between the more powerful autonomous regions and the central government remain complicated by the deliberately ambiguous terms of the Constitution.

The dismantling of the dictatorship of Francisco Franco y Bahamonde (dictator of Spain, 1939–75) and the establishment of democratic political institutions did not immediately permeate all levels of society. Reactionary elements within the army remained opposed to democracy, and rumors of coup plots were a persistent feature of the early years of democratic rule, although they subsequently subsided as the government stabilized. The civil service also resisted transformation, remaining almost as inefficient and cumbersome as it was under Franco.

Although Spanish citizens had minimal experience with political involvement prior to the advent of participatory democracy, they took to it enthusiastically, and, after a shaky beginning, a viable party system developed. The stability of this party system was

evidenced by the declining support for extremist parties and by the peaceful transfer of power from a conservative coalition to the long-outlawed Socialists in the 1982 elections. In the late 1980s, the major challenge to the governing Spanish Socialist Workers' Party (Partido Socialista Obrero Español—PSOE) came from within its own ranks, as labor leaders complained that Prime Minister Felipe González Márquez had forsaken his socialist roots in favor of market-oriented policies.

Spain continued to seek an independent role in the international arena, while maintaining a European focus through membership in the European Community (EC—see Glossary) and, through association, on its own terms, with the North Atlantic Treaty Organization (NATO). Other major foreign policy goals continued to be the re-establishment of Spanish sovereignty in Gibraltar, the retention of the North African enclaves of Ceuta and Melilla, and an influential role for Spain in Latin America. In 1987 Spain expressed a latent anti-Americanism, prevalent in the country since the 1898 Spanish-American War, when the government delayed renewal of the long-standing agreement for United States use of military bases in Spain in exchange for military and economic assistance.

One difficult problem facing the government in the 1980s was the ongoing menace of Basque terrorism, as militant separatists continued to perpetrate assassinations and bombings in spite of vigorous antiterrorist measures. A more far-reaching challenge lay in the economic realm. Workers were becoming increasingly dissatisfied with their diminished earnings and with the government's failure to deal with the unemployment problem.

The political changes since 1975 have been dramatic and profound. Spain has benefited from the shrewd leadership of its king and its prime ministers, who successfully presided over the transition to democracy and its consolidation. Nevertheless, Spanish leadership confronted the challenge of sustaining social stability in the face of economic and regional pressures.

Constitutional System

The 1978 Constitution dismantled the political system of the Franco regime and established Spain as a democratic state ruled by law. The writing of the Constitution was a long and arduous task, involving extensive negotiations and compromise. Spain has a history of failed constitutions, and the framers of the 1978 Constitution endeavored to devise a document that would be acceptable to all the major political forces.

In July 1977, the Committee on Constitutional Affairs was formed, made up of thirty-six deputies from the newly elected Cortes. These deputies in turn appointed a seven-member subcommittee that included members of the major national parties and one representative, a Catalan, of the regional parties. This group was to produce a draft constitution, which it completed in December and presented to the full committee. Vigorous debate ensued, and by the time the draft was returned to the subcommittee for final revision in January 1978, individual Cortes deputies and party caucuses had proposed more than 1,000 amendments.

As the seven subcommittee members attempted to address the issues raised by these amendments, consensus began to break down over provisions concerning the Roman Catholic Church, education, labor lockouts, and the regional issue. The PSOE delegate withdrew from the subcommittee in protest on two occasions, and it required delicate diplomatic maneuvering on the part of Prime Minister Adolfo Suárez González to surmount the stalemate in the constituent process. Compromise agreements were reached by the end of May, when the text went back to the full committee. By June 20, this committee had completed revisions of the draft document, which was presented for debate in the Congress of Deputies (lower chamber of the Cortes) in July, a year after the formation of the constitutional committee.

The text was passed with negligible opposition, although deputies of the Basque Nationalist Party (Partido Nacionalista Vasco—PNV) abstained because of what they termed the inadequate provisions for regional autonomy (see *Regional Government*, this ch.). The draft constitution then went to the Senate (upper chamber of the Cortes), where it again received more than 1,000 amendments and was revised by another constitutional committee. At the end of September, the full Senate discussed the text and approved it. Because there were differences between the version passed by the Senate and the one approved by the Congress of Deputies, another committee, including both senators and deputies, was required to resolve the discrepancies. This group also added the stipulation that the prime minister must either call for new elections or seek a vote of confidence within thirty days of the promulgation of the new constitution.

On October 31, 1978, both chambers overwhelmingly approved the text of the new Constitution, which was presented to the people in a referendum on December 6, 1978. Of the 67.7 percent of eligible voters who went to the polls, 87.8 percent accepted the new Constitution, which was signed by the king on December 27.

The Constitution that the Spaniards ratified in 1978 is long and complicated. In their efforts to avoid dogmatism and to gain widespread support, the framers had produced a document that was hailed as a triumph for consensus politics, but at the same time the new Constitution included ambiguous language and contradictory provisions, which gave rise to problems of interpretation in subsequent months and years.

The 1978 Constitution

The Constitution proclaims Spain to be a social and democratic state governed by law and declares liberty, justice, equality, and political pluralism to be the country's foremost values. National sovereignty resides in the people, from whom all powers of the state emanate. The new Constitution defines Spain as a parliamentary monarchy, with the king as head of state and symbol of its unity and permanence. It establishes a bicameral legislature, the Cortes, and an independent judicial system (see Government, this ch.).

The Constitution delineates the role of political parties and requires that they adhere to democratic structures and procedures. It provides for universal suffrage at the age of eighteen and abolishes the death penalty, except under military law in time of war.

The longest section of the Constitution sets forth the basic civil, political, and socioeconomic rights of citizens, all of whom are equal before the law, regardless of birth, race, sex, or religion. They are protected against unlawful arrests, searches, seizures, and other invasions of privacy. If accused of a crime, they are presumed innocent until proven guilty, and they have the right to a legally appointed judge, a solicitor, and a public trial without delay. The Constitution guarantees the freedoms of religion, assembly, and association, and it stipulates that citizens may make individual or collective petitions in writing to the government.

Individual liberties are further strengthened by constitutional provisions recognizing the right to organize trade unions, to join them or to refrain from joining them, and to strike. The Constitution links the right to work with the duty to work, and it calls for sufficient remuneration to meet individual and family needs, without discrimination as to sex. It also guarantees adequate pensions for the elderly, protection of the handicapped, and decent housing, and it ascribes to the state a fundamental role with regard to the organization and protection of health care and welfare.

The Constitution declares that the rights and the liberties described therein are binding on all public authorities. A provision exists (Article 55) for the suspension of these rights and liberties, but this can be used only under strictly regulated circumstances.



*Congress of Deputies, Madrid
Courtesy National Tourist Office of Spain*

The Constitution includes significant provisions pertaining to the armed forces and to the Roman Catholic Church, two institutions that have played dominant roles in Spain's political history. The framers of the new document sought to reduce the influence of these historically powerful institutions, and, at the same time, tried not to alienate them to the point that they might become sources of opposition. The role of each of these traditional institutions is clearly defined and is strictly limited in the new Constitution. While assigning to the army the role of safeguarding the sovereignty and independence of Spain and of defending its territorial integrity and constitutional order, the Constitution emphasizes that ultimate responsibility for Spain's defense rests with its popularly elected government, not with the armed forces (see Jurisdiction Over National Defense, ch. 5).

The role of the Roman Catholic Church also is reduced in the 1978 Constitution, which denies Catholicism the status of state religion. The provisions of the new Constitution with regard to the church are, however, not as stridently secular as those of the 1931 constitution, which so antagonized the conservative elements of Spanish society. The 1978 document guarantees complete religious freedom and declares that there will be no state religion, but it also affirms that public authorities are to take into account the religious beliefs of Spanish society and that they are to maintain

cooperative relations with the Roman Catholic Church and with other religions (see Religion, ch. 2).

Religion was also a factor in the formulation of constitutional provisions concerning education. There was considerable controversy over the issue of providing private schools with public funds, because in Spain most private schools are run by the church or by the religious orders. The Constitution guarantees freedom of education and calls for the government to provide some financial assistance to private schools. It further stipulates that children in state schools may receive religious teaching, if their parents so desire. At the same time, the Constitution gives the government the authority to inspect and to license the schools, thus granting it some control over the institutions it subsidizes. Conflicts over this issue of state control led to the passage in 1984 of the Organic Law on the Right to Education (*Ley Orgánica del Derecho a la Educación—LODE*), which established three categories of schools and set forth conditions to be met by private institutions receiving financial aid from the government (see Education, ch. 2).

Along with constitutional provisions pertaining to education and to the church, those dealing with regional issues were sources of bitter controversy. Historical tensions between the center and the periphery in Spain made it difficult for the framers of the Constitution to reach agreement on matters of regional autonomy. The compromise that they eventually reached was unsatisfactory to extremist elements on both sides of the issue, and the terrorist movement that grew out of this controversy continues to be the major threat to Spain's stability (see Political Developments, 1982-88, this ch.).

The new Constitution seeks to recognize, and to respond to, deep-seated cultural differences among the existing nationalities by allowing for substantial regional autonomy, in contrast to the stifling centralism imposed by Franco. Although it affirms the indissoluble unity of the nation, it also grants a greater degree of autonomy to Spain's nationalities and regions, which are allowed to use their own languages and flags without interference (see Regional Government, this ch.).

Electoral System

The electoral system—with the exception of the Senate, which uses a majority system—is set forth in the electoral law of 1977, updated in 1985, which is based on the d'Hondt system of proportional representation. A party must obtain a minimum of 3 percent of the vote in order to qualify for parliamentary representation. Each province is to have a minimum of two seats in the Congress

of Deputies, plus one additional seat for every 144,500 inhabitants or fraction over 70,000 inhabitants. Each province is allotted four seats in the Senate, regardless of population.

This system tends to overrepresent the more traditional, rural, and thinly populated parts of Spain and to favor the larger parties, which also benefit from the system of postelectoral subsidies. Under this arrangement, the state allocates funds to the party of each elected candidate. Parties are also given smaller sums for each vote received by their candidates, provided that at least one candidate is elected. One of the effects of this system is that parties able to demonstrate probable electoral success are able to obtain loans to finance their campaigns based on their expected subsidies.

The electoral law guarantees universal, free, and direct suffrage and stipulates that voting shall be by secret ballot. It permits postal balloting for those away from their areas of registration. Voting is done by party list. Only the names of an individual party and its leader appear on ballots, with the exception of those of the Senate, for which a multiparty list is used, and voters choose any three candidates. Elections are held every four years, although an early dissolution of the Cortes will mean early elections for this body. Elections in the autonomous communities—except those in the “historic regions” of Galicia, Catalonia (Spanish, Cataluña; Catalan, Catalunya), the Basque Country (Spanish, País Vasco; Basque, Euskadi), and Andalusia (Spanish, Andalucía), which received their autonomy earlier than the other thirteen communities—are held simultaneously.

Government

According to the 1978 Constitution, political power is centered in the bicameral Cortes, and the king exercises largely honorific functions as head of state (see fig. 12). Judicial power is vested in independent courts. The governmental system outlined in the new Constitution, in its emphasis on democratic principles and its provisions for decentralization, represents a radical transformation in the nature of the Spanish state.

The Cortes

The Cortes is the most powerful governmental institution of the state. It is made up of a lower house, the Congress of Deputies, and an upper chamber, the Senate. The Congress of Deputies, the stronger of the two bodies, may consist of between 300 and 400 members—although electoral laws have set the norm at 350 deputies—elected by proportional representation every four years, unless parliament is dissolved earlier by the head of state. The

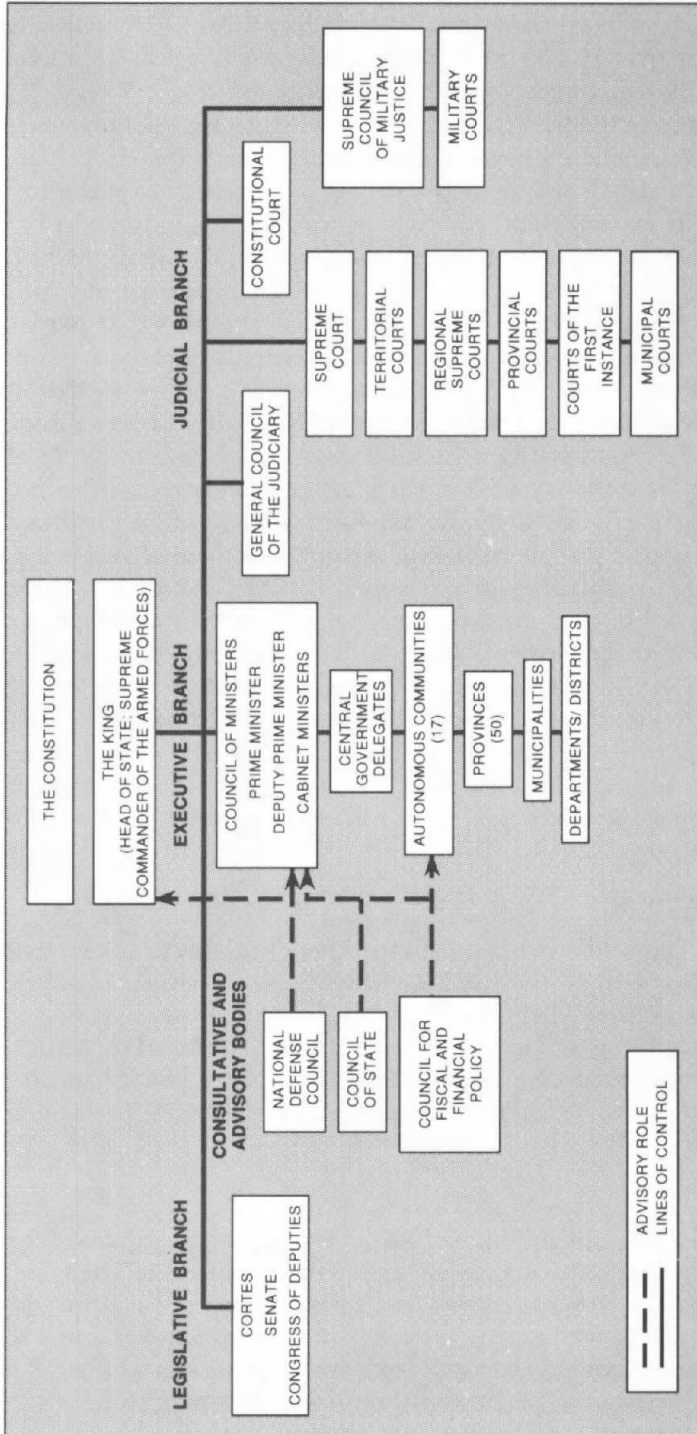


Figure 12. System of Government, 1988

Senate is composed of 208 directly elected members and 49 regional representatives, also chosen every four years.

The preponderance of legislative authority lies with the Congress of Deputies. Either house may initiate legislation, but the lower house can override a Senate veto by a vote of a simple majority of its members. Thus, if a political party has a solid majority in the Congress of Deputies, a Senate veto has little effect. The predominance of the lower house is also evidenced by the fact that the president of the Congress presides when the two chambers are meeting jointly.

The Congress of Deputies also has the power to ratify or to reject decree laws adopted by the government, and its authorization is required for a declaration of a state of exception and for the extension of a state of alarm. It is also the body that is responsible, if necessary, for accusing the prime minister or his ministers of treason or of crimes against the state. The prime minister must receive a vote of investiture from the Congress of Deputies before being formally sworn into office by the king. A prime minister may request a vote of confidence from the Congress of Deputies at any time. If he fails to achieve this, both houses of parliament are dissolved, and new elections are called. Furthermore, the Congress of Deputies has potentially significant power over the executive because it may vote the prime minister out of office by adopting a motion of censure by absolute majority.

The primary function of the Senate is territorial representation. Its only exclusive power concerns the autonomous communities. If a community fails to fulfill its legal and its constitutional obligations, or acts contrary to the general interests of Spain, the government, with the approval of an overall majority of the Senate, may adopt measures to enforce the community's compliance with its obligations.

Although each chamber of the Cortes carries out certain duties separately, many important functions are exercised by both houses, in which case they meet as the General Cortes (Cortes Generales). In this capacity, they elaborate laws proposed by the government, by the Congress of Deputies, by the Senate, by any autonomous community, or through popular initiative. They also approve, and they may amend, state budgets proposed by the executive. They furthermore may direct interpellations and questions to the government and to individual ministers.

Each chamber of the Cortes meets in separate premises in Madrid, and each holds two regular annual sessions—from September to December and from February to June. They may meet in extraordinary session to attend to a specific matter at the request

of the government, or at the request of the absolute majority of the members of either chamber.

All Spaniards "having full use of their political rights" may be candidates for election to the Cortes, except for the following: members of the Constitutional Court, high-ranking civil servants, practicing judges and public prosecutors, the ombudsman, professional military personnel, members of the police and security forces who are in active service, and members of electoral commissions. Members of the Cortes may not be members of both chambers at the same time, nor may members of the Congress of Deputies have a seat in both the Congress and a regional assembly. Senators are not barred from occupying a seat in a regional assembly. Members of the Cortes are required to disclose their income and their assets following election. They are expected to attend plenary sessions of the chamber and of the committees on which they serve. Senators who consistently fail to attend such meetings are liable to incur a financial penalty.

Along with these obligations, parliamentarians enjoy certain rights and privileges. They may not be prosecuted for verbal opinions expressed in the exercise of their duties. While in office, they may be arrested only if caught in the actual act of committing a crime. Even in this case, they cannot be charged or prosecuted without prior consent of the Cortes. They are guaranteed a fixed salary and social security payments, along with allowances for extra expenses incurred in the line of duty. Members of the Cortes exercise their functions independently, and they are not obliged to follow the dictates of their parties' leaderships in casting their votes.

The King, the Prime Minister, and the Council of Ministers

By defining the state as a parliamentary monarchy, the Constitution makes it clear that the king is not sovereign and that sovereignty resides with the people as expressed in their democratically elected parliament. The king is a hereditary and constitutional monarch, who serves as head of state.

The decision to retain the monarchy, which had been restored under the Franco regime, represents a historically significant compromise. As the Constitution was being formulated, parties of the left were strongly opposed to a monarchy, which they saw as a Francoist legacy; they favored establishing a republican form of government. At the same time, reactionary elements wanted to preserve the monarchy in order to use it as a means to perpetuate Francoism. In between these two extremes were the reformers, who



The Royal Palace, Madrid
Courtesy Prints and Photographs Division, Library of Congress

thought that the monarchy could serve as an element of stabilization during the transition to democracy.

A compromise eventually was reached whereby the left-wing parties accepted the institution of a parliamentary monarchy as reflecting the will of the majority. Constitutional provisions dealing with the king's role were worded in such a way as to make clear the neutral and apolitical nature of his duties. The success of this arrangement has been largely attributable to King Juan Carlos de Borbón's willingness to relinquish the powers that Franco had conferred upon him and to rule as a constitutional monarch within a democratic system of government (see *Transition to Democracy*, ch. 1).

The crown is hereditary, and the king's eldest son is first in the line of succession. (In the case of Juan Carlos, there is only one son, Prince Felipe, and there are two daughters.) Whereas Franco's fundamental laws forbade a female monarch, the 1978 Constitution allows a female to inherit the throne, but only if there are no males of the same generation. If all hereditary lines entitled to the crown by law become extinct, the succession to the throne is to be determined by the General Cortes.

The king sanctions and promulgates laws that have been worked out by the other branches of government. He formally convenes and dissolves the Cortes and calls for elections and for referenda.

He appoints the prime minister after consultation with the Cortes and names the other ministers, upon the recommendation of the prime minister. He also signs decrees made in the Council of Ministers and ratifies civil and military appointments.

Although the king does not have the power to direct foreign affairs, he has a vital role as the chief representative of Spain in international relations. The potential significance of this role has been demonstrated during the reign of Juan Carlos, whose many trips abroad and contacts with foreign leaders have enabled the Spanish government to establish important political and commercial ties with other nations. The king also has the duty to indicate the state's consent to international treaties and, with the prior authorization of the Cortes, to declare war and peace.

The Constitution confers upon the king the title of supreme commander of the armed forces, although he has no actual authority over them. Nevertheless, Juan Carlos has maintained close relations with the military, and he has used his considerable influence with them to counteract potential threats to the stability of the democratic regime (see *Disenchantment with UCD Leadership*, ch. 1).

The influence of the king depends largely upon the individual who holds the title, because he is granted no independent executive powers by the Constitution. Every one of his acts must be countersigned by the prime minister or by one of his ministers. In spite of these restrictions, the monarchy under Juan Carlos has achieved a significant degree of moral authority, largely because of his courageous and steadfast adherence to democratic procedures.

If the king has the symbolic role of representing the state, the prime minister has the more powerful role of chief of government. As the leader of the dominant political party in the Cortes, he bears the responsibility and the accountability for his own actions and for those of the government. He directs the preparation, promotion, and execution of the government's program and coordinates the functions of the various ministries. The prime minister nominates candidates for the king to appoint as his ministers. He also has the right to name candidates for civil service positions and to select the civil governors in each province as well as the government delegates to the autonomous communities. A reform law approved late in 1983 placed the armed forces under the control of the prime minister, although the king remained supreme commander.

The prime minister may ask for a vote of confidence from the Congress of Deputies with regard to his program or policies. He may propose the dissolution of the Congress of Deputies, the Senate,

or the Cortes, unless a motion of censure is under consideration. The position of his government in the event of such a motion of censure is strengthened significantly by the requirement that such a motion must contain the name of a candidate to succeed the prime minister if the motion is approved. This provision makes it more difficult to overthrow the government, because minority parties may find it more difficult to agree upon a candidate than to concur in their opposition to the incumbent.

When the prime minister is appointed following elections, he must present his program to the Congress of Deputies and receive a vote of investiture by absolute majority before he can be sworn in by the king. If he cannot obtain a vote of confidence for investiture, a new vote is taken forty-eight hours later, requiring only a simple majority. If this procedure fails, the king is to propose other candidates until one gains a vote of confidence. Should no candidate succeed within two months of the first vote, the king dissolves the Cortes and calls for new elections.

The prime minister remains in office until such time as he and his government lose the support of the Congress of Deputies in a vote of confidence, or the Congress of Deputies approves a motion of censure. A prime minister also must resign if he and his party are defeated in the general elections, in which case he remains in office until the new prime minister has been sworn in. When a prime minister leaves office for whatever reason, even if it is his own choice, his cabinet must resign with him. They nonetheless retain their functions in a caretaker capacity until a new government has been installed.

A deputy prime minister assumes the functions of the head of government if the prime minister dies, or if he is ill or out of the country. The deputy also plays a coordinating role, working closely with the prime minister, senior ministers, and high-ranking party members. The deputy prime minister may assume other functions, at the discretion of the prime minister.

The prime minister, the deputy prime minister, and the other ministers together comprise the Council of Ministers, which functions as a cabinet, and which is the highest executive institution of the state. The Council of Ministers has both policy-making and administrative functions, and it is responsible for the implementation of government policy. In addition to overseeing the administration of the various ministries, it controls military affairs and is responsible for national security and defense. In the exercise of all of its functions, it is ultimately accountable to the Cortes.

Cabinet ministers are each charged with the responsibility of administering their individual departments. Although they may

exercise a great deal of discretion and autonomy within their ministries, they are ultimately responsible to the prime minister. They present to the Council of Ministers draft laws that have been prepared within their departments, and they establish rules to implement government policy. They have the power to issue ministerial orders without the approval of the Council of Ministers and to sign state contracts in matters concerning their ministries. They also may resolve administrative conflicts within their departments. Ministers are responsible to the Council of Ministers as well as to the prime minister for their actions, and they can be called to explain their policies before one or both houses of the Cortes, or before one of the parliamentary committees.

The Constitution declares that government ministers may not hold any additional public posts not related to their governmental office, and it also prohibits them from engaging in professional or commercial activity. This provision is aimed at avoiding the corruption that prevailed in the Franco era, when senior government ministers frequently occupied important positions in the business community and sometimes held more than one post within the public administration.

Various advisory bodies serve the administration. The most important of these is the Council of State, which the Constitution refers to as the highest consultative organ of the government. It has no executive functions or powers and performs in a purely advisory capacity. The Council of Ministers appoints its president, who is usually an experienced jurist. The other members—approximately twenty-three in number—are eminent representatives of the autonomous regions, the armed forces, civil service, and the legal and academic communities. Permanent members are appointed by government decree for an indefinite period, whereas members termed elected are those who are also appointed by decree but who are chosen from among citizens who have held various specific jobs; the elected members serve on the council for a period of four years.

The Judiciary

The Constitution declares that justice emanates from the people and that it is administered in the name of the king by independent judges and magistrates, who are irremovable and who are responsible and subject only to the rule of law. The judicial system is headed by the Supreme Court, which is the country's highest tribunal except for constitutional questions. The supreme governing and administrative body is the General Council of the Judiciary. Its primary functions are to appoint judges and to maintain ethical

standards within the legal profession. The 1978 Constitution provides that twelve of this council's twenty members are to be selected for five-year terms by judges, lawyers, and magistrates, with the remaining eight to be chosen by the Cortes. A judicial reform law that entered into force in July 1985 called for all twenty members to be chosen by the Cortes; ten by the Congress of Deputies and ten by the Senate. The General Council of the Judiciary elects the president of the Supreme Court, who also serves on this council. In addition, there are territorial courts, regional courts, provincial courts, courts of the first instance, and municipal courts.

Constitutional questions are to be resolved by a special Constitutional Court, outlined in the 1978 Constitution and in the Organic Law on the Constitutional Court that was signed into law in October 1979. This court consists of twelve judges who serve for nine-year terms. Four of these are nominated by the Congress of Deputies, four by the Senate, two by the executive branch of the government, and two by the General Council of the Judiciary. They are chosen from among jurists of recognized standing with at least fifteen years' experience. Once appointed, they are prohibited by the Constitution from engaging in other forms of political, administrative, professional, or commercial activity. The Organic Law on the Constitutional Court contains provisions whereby the court can expel its own members, a circumstance which appears to contradict the constitutional declaration that magistrates are irremovable.

The Constitutional Court is authorized to rule on the constitutionality of laws, acts, or regulations set forth by the national or the regional parliaments. It also may rule on the constitutionality of international treaties before they are ratified, if requested to do so by the government, the Congress of Deputies, or the Senate. The Constitution further declares that individual citizens may appeal to the Constitutional Court for protection against governmental acts that violate their civil rights. Only individuals directly affected can make this appeal, called an *amparo*, and they can do this only after exhausting other judicial appeals.

In addition, this court has the power to preview the constitutionality of texts delineating statutes of autonomy and to settle conflicts of jurisdiction between the central and the autonomous community governments, or between the governments of two or more autonomous communities. Because many of the constitutional provisions pertaining to autonomy questions are ambiguous and sometimes contradictory, this court could play a critical role in Spain's political and social development.

The Constitution prohibits special courts and limits the jurisdiction of military courts to members of the armed services, except

during a state of siege (see *Military Justice*, ch. 5). It provides for a public prosecutor as well as for a public defender, to protect both the rule of law and the rights of citizens. A significant innovation is the provision allowing for trial by jury in criminal cases.

A major problem that continued to plague the legal system in the 1980s was a severe shortage of funds, which made it impossible to keep up with an increasingly heavy case load. This resulted in inordinate delays, which led to corrupt practices such as the bribing of court administrators by lawyers attempting to expedite their clients' cases (see *Criminal Justice and the Penal System*, ch. 5).

Regional Government

The framers of the 1978 Constitution had to deal with many controversial issues arising from the advent of democracy to a nation that had been under dictatorial control for decades. Among these, the most divisive was the historically sensitive question of regional autonomy. The Spanish state is unusual in the extent and the depth of its regional differences, and the society includes ethnic groups—notably the Basques, Catalans, and Galicians—that are each culturally and linguistically distinct from the rest of the country (see *Ethnicity and Language*, ch. 2). The strength of regional feeling is such that, in many areas, Spaniards identify more closely with their region than they do with the nation.

Long-standing tensions between the center and the periphery were repressed, but not extinguished, by Franco's rigid centralism. After his death, there was considerable popular and official support for some degree of decentralization; a key feature of the democratic reforms was the devolution of increased power and responsibility to the regions. This applied not only to those regions that historically had enjoyed a degree of autonomy—Galicia, the Basque region, and Catalonia—but to the rest of Spain as well.

This transformation from a unitary state into a more decentralized structure was not accomplished without bitter conflict. Reactionary elements objected to any reference to regional autonomy in the Constitution as a threat to national unity, while, at the other extreme, militant Basques demanded the right of self-determination for the regions. After prolonged and acrimonious debate, a compromise was agreed upon by all the major parties except the Basque nationalists. Discontent in this region has been a major disruptive element in the post-Franco years (see *Political Developments, 1982-88*, this ch.).

The Constitution proclaims the indissoluble unity of the nation, but it recognizes and guarantees the right to autonomy of the nationalities and the regions of which the state is composed.

Adjoining provinces with common historical, cultural, and economic characteristics, as well as the Balearic Islands (Spanish, *Islas Baleares*) and the Canary Islands (Spanish, *Canarias*), are granted the right to form autonomous communities. These communities are, however, expressly prohibited from forming federations. Castilian Spanish is declared to be the official language of Spain, but other languages are recognized as co-official in their respective autonomous communities. In addition, flags and emblems of these communities may be displayed alongside the Spanish flag on their public buildings and on public occasions.

The Constitution provides two procedures for achieving regional autonomy. The rapid procedure was for those regions that had sought autonomy in the 1930s. After approval by the Constitutional Committee of the Congress of Deputies, the proposal for autonomy was voted on in a regional referendum. The "historic nationalities" of Galicia, the Basque Country, and Catalonia acquired regional autonomy in this way. The slow procedure required initiative on the part of municipal and provincial governments as well as final approval by the Cortes, for a degree of regional autonomy less than that enjoyed by the "historic nationalities." A compromise procedure was devised for Andalusia because, although it had not sought regional autonomy earlier, there was widespread support for such autonomy among its inhabitants. Although the communities employing the rapid procedure gained a greater degree of autonomy than the other communities for the time being, ultimately—although probably not until sometime in the 1990s—all were to have an equal degree of autonomy.

Following the attempted coup of February 1981, those who had urged a more cautious approach to regional autonomy prevailed, and the process was brought under stricter control by the controversial Organic Law on the Harmonization of the Autonomy Process (*Ley Orgánica de Armonización del Proceso Autonómico—LOAPA*), approved in July 1981. Among the law's stipulations was that—with the exception of Andalusia, which was already nearing autonomous status—the remaining regions would have to proceed according to the more protracted and complicated method (see table 13, Appendix).

The regional reorganization of Spain into autonomous communities was completed in May 1983, when elections were held in the thirteen new autonomous communities, although the actual process of transferring powers was far from complete. The state consists of seventeen autonomous communities, each of which includes one or more previously existing provinces (see fig. 7). These communities vary widely in size, in population, and in economic

development; moreover, the political weight of an autonomous community is not necessarily related to its land area or population (see *Regional Disparities*, ch. 2).

Each regional entity is governed by its own statute of autonomy. It has its own capital and a political structure based on a unicameral Legislative Assembly, elected by universal suffrage. This assembly chooses from among its members a president who is the highest representative of the community. Executive and administrative powers are exercised by the Council of Government, headed by the president and responsible to the assembly. There are also regional supreme courts, which are somewhat less autonomous than the legislative and the executive organs because they are subject to the ultimate authority of the Supreme Court in Madrid.

The division of powers between the autonomous regions and the central government is outlined in Article 148 and Article 149 of the Constitution. The language used to differentiate between the authority of the central government and that of the regions is, however, imprecise and ambiguous, resulting in varying, and sometimes contradictory, interpretations. Further confusion arises from the constitutional provision enabling the autonomous communities to extend their powers gradually, although it does not indicate specifically what these new powers are to be.

The areas enumerated as belonging under the exclusive jurisdiction of the national government include international affairs; defense; justice; criminal, commercial, and labor legislation; merchant shipping; civil aviation; foreign trade and tariffs; economic planning; finances; and public safety. Whereas the central government clearly is granted exclusive jurisdiction in these and in other matters, the provision that sets forth the rights of the autonomous communities is stated in less precise language. It declares that these communities may assume authority—a more equivocal mandate—over certain areas. These include the organization of their own institutions of self-government, municipal boundaries, town planning, housing, public works, forestry, environmental protection, cultural affairs and organizations, tourism, sports and leisure events, social welfare, health and hygiene, and noncommercial ports and airports. In addition, the state may delegate to the communities part of its authority in areas reserved to its jurisdiction. Therefore, although the regions have very limited primary authority, the Constitution permits the extension of this authority by subsequent delegation.

The Constitution recognizes the right of the autonomous communities to have financial autonomy “for the development and enforcement of their authority.” These communities receive

revenue directly and indirectly from central government sources as well as from their own local taxes and special levies. They also may borrow money. The Constitution declares that the financial autonomy of the communities must be exercised in coordination with the policies of the central government, which is ultimately responsible for taxation and for guaranteeing equal opportunities for all citizens.

The mechanism for this arrangement was established by the 1980 Organic Law on the Financing of the Autonomous Communities, which provides for a Council for Fiscal and Financial Policy, to be composed of the finance ministers from the autonomous communities, the state finance minister, and the minister for public administration. This council is to function in a consultative capacity in order to coordinate policies concerning public investment and debt, cost of services, and the distribution of resources to the regions.

The state's ultimate responsibility for financial matters enables it to exercise a significant degree of control over the activities of the autonomous communities. A further element of control is the presence in each region of a central government delegate, appointed by the Council of Ministers at the recommendation of the prime minister, who monitors the activities of the regional government. Moreover, the state may challenge any measures adopted by the autonomous communities.

The Constitutional Court makes the final decision in any question pertaining to the constitutionality of regional legislation. In 1983 this court made a ruling that had the effect of increasing the powers of the autonomous communities. It invalidated portions of the controversial LOAPA and declared that this law did not harmonize the autonomy process. Significant provisions that were struck down included those stipulating that the state's legal norms should have automatic precedence over those of the autonomous regions and that regional civil servants should be seconded from Madrid rather than recruited locally.

The Constitution permits the government to intervene if an autonomous community fails to carry out its constitutional obligations or acts against the general interests of the nation. In such a case, the state is to ask the president of the autonomous community to correct the matter; if he or she fails to do so, the government, with majority approval from the Senate, may adopt measures necessary to enforce the community's compliance. As of mid-1988, this provision had never been invoked, and it remained unclear what such measures might entail.

In spite of these limitations on the jurisdiction of the communities, regions have enjoyed an unprecedented degree of autonomy

since the death of Franco. Because rigid centralism was so closely identified with Francoism, Spaniards have come to associate democracy with greater regional independence. Although difficulties in the devolution process remain to be resolved, the development of such an extensive system of regional autonomy, by what had been one of the world's most centralized nations, is an indication of its peoples' commitment to democracy.

Local Government

Institutions of local government have undergone marked transformations since the Franco era, when they functioned primarily as instruments of the central government. The overhauling of administration at the local level had to wait, however, until a degree of political reform had been achieved at the national level. The first fully democratic local elections following Franco's demise were held in 1979, and limited reforms were introduced at the local level in 1981, but it was not until 1985 that the fundamental reorganization and democratization of local administration was completed with the passage of the Basic Law on Local Government (*Ley Reguladora de las Bases de Régimen Local—LRBRL*).

This law outlines the basic institutions at the municipal and the provincial levels, establishes guidelines for the sharing of responsibilities among the different tiers of administration, and lists the services that local authorities are to provide. The responsibilities of municipalities vary in proportion to the size of their populations. Municipal governments share responsibility with the regional government in matters of health and education. Both the central and the regional governments may delegate additional powers to municipalities. Because of the degree of authority that has been devolved to the autonomous communities from the central government, local institutions are politically dependent on these communities; however, they remain to a large extent financially dependent on Madrid.

Government at the municipal level is administered by a Municipal Council, the members of which are directly elected by universal suffrage and according to proportional representation. The number of council members is determined by the population of the municipality; a minimum of five is required by law. There is no limit to the number of times councillors may be re-elected. If they die, resign, or are dismissed, they are replaced by the next person on the electoral list of their political party; therefore, there are no by-elections.

The council is elected every four years, and it cannot be dissolved. The law requires it to meet in full session at least every three months; extraordinary sessions can be called by either the

mayor or one-fourth of the council membership. The council does not formulate major laws, but drafts regulations related to legislation from the Cortes or the regional parliament. It oversees the budget, and it may raise taxes to supplement grants from the central and the regional governments.

Each Municipal Council is headed by a mayor, who is elected following local elections, from among the council members, and who, in most instances, serves as the leader of the majority party in the council. In addition to being chairman of the council, directing municipal administration, heading the municipal police force, and exercising extensive powers of appointment, the mayor plays a major public relations role and enjoys a great deal of prestige.

Municipalities of more than 5,000 inhabitants have a Municipal Commission to assist the mayor in the exercise of his duties. Municipal administration in such towns is divided into departments and districts, the leaders of which are ultimately responsible to the mayor.

Government at the provincial level has retained an element of its Francoist function as an outpost of the state. The Constitution defines the provinces as territorial divisions "designed to carry out the activities of the central government." The civil governor, who is the highest executive of the state administration at the provincial level, is appointed by the prime minister on the recommendation of the minister of interior. Thus, the governors are usually political appointees, as was the case during the Franco regime, although they have less power than they did formerly. They continue to be responsible for the state police and the security forces that operate at the provincial level (see *The Police System*, ch. 5). In addition to ensuring the implementation of state policies in the provinces, they function as a liaison between local authorities and the central government.

Provincial government is administered by a Provincial Council, which consists of deputies elected by the municipal councillors from among themselves. They remain on the Provincial Council for four years and may be re-elected for as many terms as they remain municipal councillors. As is the case with the municipal councils, the Provincial Council does not have the power to draft major laws, but it may establish regulations based on legislation from the Cortes or the regional parliament.

Each Provincial Council is headed by a president, who is elected by all the members of the full council. Although the civil governor is the highest representative of the central government in the province, the president of the Provincial Council has the responsibility for the government and administration of the province. The

office of president of the Provincial Council was established during the Franco years, but it was largely overshadowed by that of the civil governor. Since the advent of democracy to Spain, the council president has acquired more prestige, and the role of the governor has been reduced.

Provincial government is administered differently in the Basque provinces, the single-province autonomous communities, the Balearic Islands, and the Canary Islands. The Basque provinces have more extensive privileges because of their status as "historic territories," which makes their provincial councils more powerful than those of other provinces. The autonomous communities that are made up of a single province assume all provincial powers and responsibilities, thereby obviating the need for provincial institutions. Because of the geographical separation that exists within the island chains, government and administration have been entrusted to island councils, which enjoy greater powers than their provincial counterparts. The small North African enclaves of Ceuta and Melilla have a special status: they are organized as municipalities of the provinces of Cádiz and Málaga, respectively. In both towns, civil authority is vested in an official, called the *delegado del gobierno*, who is directly responsible to the Ministry of Interior in Madrid. In 1986 the enclaves received municipal autonomy under the provisions of Spain's devolution of authority to regions, but, unlike Spain's other regional assemblies, they were not granted legislative powers. In March 1986, a large crowd of demonstrators in Ceuta protested this denial of full autonomy.

Civil Service

Part of the Francoist legacy to Spain was a highly inefficient and cumbersome civil service apparatus. Attempts to reform and to streamline the system of public administration have been hampered by the bureaucracy's traditional resistance to change.

Under Franco, the civil service system was dominated by *cuervos*, professional associations of engineers, lawyers, economists, etc., within the civil service, which also performed functions similar to those of trade unions and fraternal organizations. Admission to a *cuervo* was on the basis of a competitive examination that was judged by the current members. The *cuervo* served as a channel for civil servants to make their demands to the appropriate minister. In addition, the *cuervos* were able to exercise considerable influence over hiring and firing of persons for key administrative positions, thereby enabling them to protect their own economic interests. Loyalty to the *cuervo* came to take precedence over administrative

interests, and rivalry among these bodies added to the inefficiency of the system by hampering coordination among departments.

This bloated bureaucracy extended to the provincial level, where it became increasingly difficult to control. As civil servants increased in number, administrative efficiency declined and corruption flourished. Because of the low salaries traditionally paid to civil servants, the practice of holding more than one job was common. This in turn resulted in fewer hours devoted to administrative functions and a further reduction in efficiency.

In spite of intermittent efforts to reorganize this unwieldy structure, the civil service did not undergo significant change in the immediate post-Franco years. The *cuerpos* retained their influence, and the bureaucracy proliferated. In 1981 the number of civil servants had reached 1.2 million. Moreover, multiple job-holding had not been eliminated, despite constitutional restrictions against this practice.

When the PSOE came to power in 1982, its leaders took steps to reduce the number of civil servants and to require that they put in a full workday. The government introduced more stringent legislation against multiple job-holding, and it also endeavored to reduce ministerial rivalry. A departmental reorganization was carried out in July 1986, at which time the coordination and the overall control of the civil service became the responsibility of the Ministry of Public Administration.

Nevertheless, the bureaucratic behemoth had not suffered a mortal blow, and most of the abuses were not effectively eliminated. An indication of the resistance to change that prevailed in the civil service was the continued existence of very slow service and therefore of *gestorías administrativas*, i.e., private firms, the employees of which filled out forms and stood in line for customers, who considered the time saved well worth the price charged. Meaningful reform of the civil service remained on the government's wish list in the late 1980s.

Politics

The politicians who had played key roles in Spain's transition to democracy found that consolidating and administering this democracy was more difficult and less exhilarating than bringing it into being. Suárez, who had been pivotal in the reform process, found his leadership undermined by internal factionalism within his party coalition, the Union of the Democratic Center (Unión de Centro Democrático—UCD), as well as by his ineffectiveness in dealing with the country's growing economic difficulties and regional tensions.

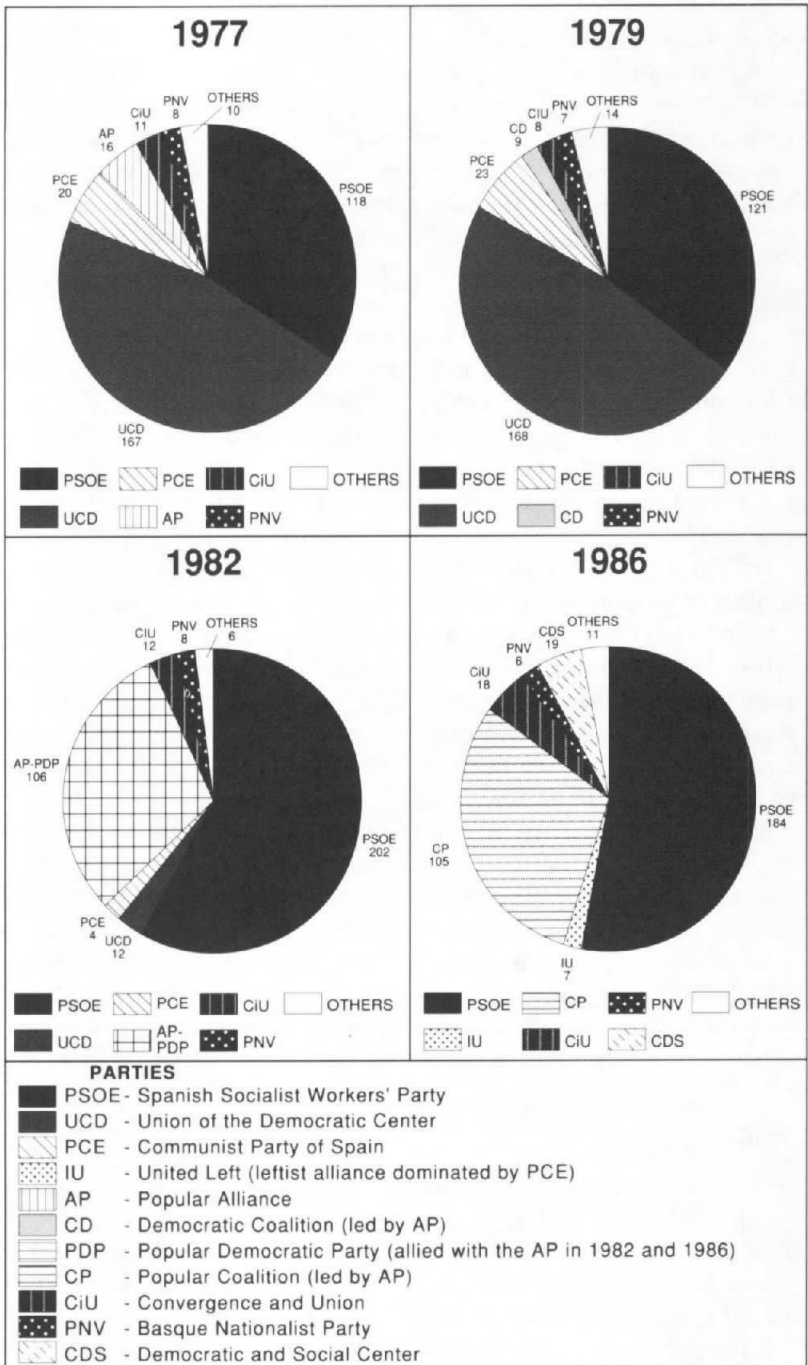


Figure 13. Distribution of Seats in the Congress of Deputies Following Selected Elections

The Socialists had not been part of the government during the transition process, although they participated through pacts and agreements, and thus they did not share responsibility for the inevitable mistakes made in the early period. When they came to power in 1982, however, they too were faced with the age-old problem of center-periphery tension (see fig. 13; table 2, Appendix). In dealing with the regional issue as well as with the economic crisis, the Socialists found it necessary to moderate their ideological principles. Although compromise was essential, it resulted in the contradiction of earlier pronouncements and in the alienation of some elements of the political elites. Nevertheless, such pragmatism and moderation remained crucial to consolidating the rule of democracy in Spain.

Political Developments, 1982-88

Following its triumph at the polls in October 1982, the Spanish Socialist Workers' Party (Partido Socialista Obrero Español—PSOE), under the leadership of Felipe González, formed the first majority one-party government since the Civil War (see *Growth of the PSOE and the 1982 Elections*, ch. 1). The increase in voter participation, which rose from less than 68 percent in 1979 to 80 percent in 1982, seemed a significant indication of citizen affirmation of the democratic process. Municipal and regional elections, held in May 1983, confirmed the popularity of the Socialist government, which obtained 43 percent of the vote.

A significant factor in the Socialist victory in 1982 was the popular perception that profound economic and social reforms were long overdue. Previous governments had not been able to deal effectively with these issues, in part because of the need to focus on political and constitutional questions. Whereas most Spaniards had been willing to defer their hopes for economic improvement and for liberalized social policies in the interest of stabilizing the fledgling democracy, they became increasingly impatient for the reform process to reach their daily lives.

The economic reform policies implemented under the POSE government were pragmatic rather than ideological. Although stressing the need for reform, the government did not call for traditional socialist measures, such as the nationalization of industry, a significant redistribution of income, or massive state intervention in the economy. Instead, it pursued a program of economic austerity in order to lower inflation and raise productivity (see the *Post-Franco Period, 1975-1980s*, ch. 3).

As part of an attempt to achieve greater efficiency in the industrial sector as well as in the civil service, the government eliminated

many jobs. This had the short-term effect of adding to the nation's unemployment problem, and it met with strong opposition from the trade unions, although it gained support for the PSOE from the commercial and the financial sectors. The government's economic policies resulted in a moderate reduction in inflation and an increase in the rate of economic growth, but unemployment worsened, and strike activity increased 30 percent in 1984. In June 1985, there were massive protests against the proposed reforms in the social security system and the reductions in pension benefits. Nevertheless, the idea of streamlining the economy was viewed by most Spaniards as a positive step toward economic recovery, in spite of the fact that its costs were borne largely by the working class.

Although the Socialists' moderate approach to economic issues entailed a relatively slow rate of change, significant progress was achieved in other important areas, most notably that of military reorganization. In October 1983, Minister of Defense Narcís Serra i Serra announced plans for large-scale reductions in the size of the military, which was to be reoriented, toward national defense rather than internal security. Legislation passed in early 1984 placed the armed forces under the direct control of the prime minister and the civilian minister of defense. Increased subordination of the military to the civilian government was made more palatable to the military hierarchy by a major increase in military spending to modernize the army's equipment and weaponry (see *The Defense Budget*, ch. 5).

The Socialist government also brought about significant reforms in the educational system. Education and Science Minister José María Maravall Herrero introduced legislation, passed in the spring of 1984, providing for increased state control over private schools that received government subsidies. The law also gave parents a greater role in the appointment of teachers and in establishing the curricula at these schools (see *Education*, ch. 2). This had a major impact on society, because in the late 1980s approximately one-third of students attended such schools, which usually had a religious affiliation. The Roman Catholic Church joined forces with the right-wing Popular Alliance (Alianza Popular—AP) to mobilize a large antigovernment rally, protesting the new educational policies, in November 1984.

A difficult problem facing the Socialist government was the continuing menace of Basque terrorism. Although democratization had brought an unprecedented degree of autonomy to the country's communities, there was increasing frustration in the Basque and the Catalan regions with the protracted process of transferring powers to the regional governments. The PSOE's concurrence with

the implementation of the controversial LOAPA, passed by the UCD government in 1981, led the Basques and the Catalans to consider the Socialists as proponents of centralization (see Regional Government, this ch.). Terrorist activity by the militant Basque Fatherland and Freedom (Euskadi Ta Askatasuna—ETA), the Basque separatist organization founded in 1959 by a splinter group of the Basque Nationalist Party (Partido Nacionalista Vasco—PNV), continued unabated in Spain in the year following the election that brought the PSOE to power (see Threats to Internal Security, ch. 5). This increased violence, in itself a destabilizing factor, also threatened Spain's hold on democracy by tempting right-wing forces to contemplate a coup in order to restore order.

In an effort to control terrorist activity and to calm the military, the Socialist government introduced strong antiterrorist legislation, which received widespread popular support. Nevertheless, the violence continued. Moreover, the central government received a setback in its antiterrorist campaign in 1984, when the Supreme Court overruled a decision by the Ministry of Interior to ban the political party Popular Unity (Herri Batasuna—HB), with which the ETA Military Front (ETA Militar—ETA-M) was associated, from representation in either the regional or the national parliament.

Prospects for a lessening of tension between the Basque Country and the Socialist government appeared to brighten when a legislative pact was signed in January 1985 between the president of the Basque Country and the Basque affiliate of the PSOE. This agreement included provisions to expedite the transfer of powers to the autonomous institutions and called for a joint offensive against terrorism. In spite of vigorous antiterrorist measures taken by the central government, however, bombings and assassinations continued.

While dealing with such demanding domestic concerns as terrorism and the need for economic and social reform, the Socialist government was also taking steps to develop a more active international role for Spain. The country had experienced ostracism under Franco because of the highly undemocratic nature of his regime (see Foreign Policy under Franco, ch. 1). After taking office in 1982, the Socialists made vigorous efforts to gain entry into the European Community (EC—see Glossary). The government hoped that membership in the EC would bring not only economic advantages but also international recognition of the country's successful transition to democracy.

The question of Spain's entry into the EC met with repeated delays in 1983 and in 1984, largely because of the opposition of France. After protracted negotiations, a Treaty of Accession was

signed in the summer of 1985, and Spain formally joined the EC on January 1, 1986 (see Spain and the European Community, this ch.).

Although the PSOE government had pursued the goal of EC membership with single-minded zeal, it was ambivalent with regard to participation in the North Atlantic Treaty Organization (NATO). The Socialists had long advocated neutralism as part of their ideology; moreover, latent anti-Americanism was widespread in the population.

The Socialists had opposed Spain's decision to join NATO in May 1982, and part of their election platform in October of that year was the promise of a referendum on the question of remaining in the alliance. After coming to power, they soon changed their minds and concluded that some form of membership in NATO was in Spain's interest. This left González with the ticklish task of campaigning for a favorable vote on an issue he had previously attacked.

In order to gain approval for his new pro-NATO position, González attached conditions to membership. Spain would be part of NATO in a political sense but without military integration; furthermore, nuclear weapons were to be banned in Spain. In an effort to appease the left wing of his party, the prime minister promised that the number of United States troops in Spain, whose presence reminded many Spaniards of previous United States ties with the Franco regime, would be reduced. The promised referendum was held on March 12, 1986, and in spite of public opinion polls indicating strong anti-NATO sentiment, the people voted to continue membership in the alliance (see Participation in NATO, ch. 5).

González moved to consolidate the gains his government had made through EC membership and the successful NATO referendum by calling for national parliamentary elections in June 1986, four months ahead of schedule. The PSOE benefited from the fragmentation of both its right-wing opposition and the communists, and it retained an absolute majority in the general elections, winning 184 of the 350 seats in the Congress of Deputies—18 fewer than it had obtained in the 1982 elections, but still enough to retain control.

The official opposition was embodied in the conservative Popular Coalition (Coalición Popular—CP), which included Manuel Fraga Iribarne's AP, the Popular Democratic Party (Partido Demócrata Popular—PDP), and the Liberal Party (Partido Liberal—PL). The CP failed in its attempt to attract the moderate vote by moving to the center. Fraga's abrasive personality and Francoist past contributed to the defeat of the coalition, which began

*Felipe González Márquez,
prime minister, 1982—
Courtesy National
Tourist Office of Spain*



to disintegrate soon after the election. Several leftist groups and communist splinter parties formed an electoral coalition, the United Left (Izquierda Unida—IU), to participate in the election, which obtained slightly better results than the left did in 1982.

The surprise feature of the 1986 elections was the resurgence of the center vote, indicated by the tripling of the ballots cast for the Democratic and Social Center (Centro Democrático y Social—CDS). Its leader, Suárez, continued to be a popular figure on the Spanish political scene (see *Transition to Democracy*, ch. 1). Given the disarray at both ends of the political spectrum, the CDS had a chance to develop into the major opposition party (see *Political Parties*, this ch.).

In spite of the PSOE's electoral victory in June 1986, dissatisfaction with the policies and the actions of the Socialist government had been mounting, and it increased even more as the year drew to a close. The early months of 1987 saw the strongest outbreak of social unrest in Spain since the 1930s. Demonstrations by university and secondary school students were followed by increasingly violent labor strikes. Doctors and teachers joined railroad workers and farm laborers in protesting the low wages and the high unemployment that had come in the wake of the government's economic austerity policies. Contributing to the growing unrest was an escalation in Basque terrorism and popular revulsion over a bomb that caused the deaths of many innocent civilians.

Polls indicated a decline in confidence in González, whose immense popularity had heretofore been unaffected by such vicissitudes.

Elections held in June 1987 at the municipal and the regional levels, as well as those for the European Parliament, confirmed the declining support for the Socialist government. Although the PSOE remained the largest single party, it obtained only 37 percent of the municipal vote, down from 43 percent in 1983. The June elections resulted in a further erosion of the AP, which was under the new leadership of Antonio Hernández Mancha. The CDS emerged, strengthened, as the fulcrum of the center, although it was not yet in a position to present a challenge to Socialist dominance.

Dissatisfaction with the PSOE government was also evidenced within the Socialist party itself. In October 1987, Nicolás Redondo, leader of the Socialist-controlled General Union of Workers (Unión General de Trabajadores—UGT), resigned his seat in parliament in protest against the government's 1988 budget. He criticized the government for favoring employers' interests over those of the working class.

Most businessmen approved of the market-oriented economic policies of González, which had succeeded in reducing the annual inflation rate, from 15 percent in 1982 to below 5 percent in 1987, and in raising annual economic growth rate to 4.5 percent. The price paid for these accomplishments, however, was an unemployment rate of 21 percent, the highest in Europe, and an increasingly alienated labor force. The UGT joined with its communist counterpart, the Workers' Commissions (Comisiones Obreras—CCOO), in staging joint protests in October and in November 1987 and a general strike in December 1988 (see Political Interest Groups, this ch.).

At the Socialist party congress held in January 1988, Redondo and other left-wing socialists accused González of betraying the workers and of forsaking the socialist cause. They urged a relaxation of anti-inflation measures in order to allow for an increase in wages and in pensions. They also called for greater investment in public works and for a concerted effort to deal with the unemployment problem.

In contrast to the growing dissatisfaction with the government's economic policies, there was widespread approval when González decided to demand a reduction of the United States military presence in Spain, in keeping with the pledge he had made at the time of the NATO referendum. In December 1987, the government notified the United States that it would have to remove its seventy-two F-16 fighter bombers from Spain by mid-1991. The two countries reached agreement in principle in January 1988 on

a new, more limited base agreement to last eight years (see Spain and the United States, this ch.; Military Cooperation with the United States, ch. 5).

Spanish popular opinion also responded favorably to indications that there might be hope for an end to the terrorist violence that had claimed more than 750 lives in a 20-year period. In November 1987, the major political parties signed an antiterrorist pact in which they pledged to work peacefully for the resolution of conflicts in the Basque Country, they condemned all forms of violence, and they called on the ETA to lay down its arms and to work through democratic channels. In February 1988, the government accepted an ETA proposal for a sixty-day truce and for the opening of formal peace negotiations. A major factor in bringing the ETA to hold talks was French cooperation, beginning in mid-1986, in hunting down the movement's leaders and in extraditing those who had sought asylum in France. The negotiators faced formidable obstacles, most notably the conflict between Basque demands for self-determination and constitutional provisions for the armed forces to uphold Spain's territorial integrity. Nevertheless, by mid-1988 prospects for an end to violence were brighter than they had been in many years.

After five and one-half years in office, the PSOE could take credit for significant accomplishments, in spite of rumblings on the left. Observers generally conceded that the austerity measures carried out by the government, while far removed from socialist concepts, were necessary in order to revive the economy, and they hoped that a healthier economy would ultimately resolve the unemployment problem. More in line with socialist policies were the government's measures to lessen the Roman Catholic Church's control of Spain's schools, to ease censorship laws, and to legalize divorce (see Social Values and Attitudes, ch. 2). The PSOE's foreign policy initiatives, gaining EC membership and reducing dependence on the United States, also received popular approval. The democratic process appeared to have taken root.

Political Parties

Prior to the arrival of participatory democracy in Spain in the late 1970s, Spanish citizens had scant experience with political involvement. Suffrage was extremely limited, electoral mechanisms were controlled and corrupt, and political parties were elitist. Under the Francoist regime, Spanish society was depoliticized; the only political formation officially sanctioned was the National Movement. Remnants of the socialist and the communist parties functioned

underground, and they were subject to severely repressive measures (see *The Franco Years*, ch. 1).

After forty years without parliamentary elections, political parties were revived, and they proliferated in the months following Franco's death. Leftist parties that had been exiled or had functioned clandestinely, such as the communists and the Socialists, had existing organizations and ideological traditions to form the bases of renewed political activity. The center and the right, however, had no such structures in place, and they lacked experience in political involvement. The coalition party that was victorious in the first elections of the new democratic regime in June 1977, the center-right UCD, failed to develop a coherent political vision. Its brief period of success was due largely to the charisma of its leader, Suárez, and the party ultimately succumbed to its internal conflicts.

With the victory of the PSOE in 1982, Spain's political system moved from a moderate right-left division to a predominance of the center-left. Support for the PSOE had become less class-based and more widespread as Spain underwent economic transformation and as the party became less dogmatic. In general, the tendency of Spain's party politics has been toward the center, and support for extremist parties has declined markedly, which bodes well for the country's future stability.

Spanish Socialist Workers' Party

The Spanish Socialist Workers' Party (Partido Socialista Obrero Español—PSOE) is the oldest political party in Spain. Founded by Pablo Iglesias in 1879 as a Marxist proletarian party, it evolved alongside the trade union UGT, which was the basis of its support. The goal of both organizations was to obtain a voice for the working class in the political arena. As the party began to win parliamentary seats in the 1920s and the early 1930s, its membership began to broaden to include intellectuals, writers, and teachers. The PSOE's first experience as a governing party was during the turbulent Second Republic, but its time of leadership was short-lived. The party experienced severe repression under Franco, and its leaders went into exile, primarily in France.

In the early years of the Franco dictatorship, the PSOE within Spain was almost obliterated. In succeeding years, the party's leadership in exile gradually lost touch with what was evolving inside the country. In the mid-1950s, socialist groups began to organize within Spain; and, in the 1960s a small group of activists, led by two young labor lawyers from Seville (Spanish, Sevilla), Alfonso

Guerra and Felipe González, revived the PSOE and began to agitate for changes within the party.

The leaders in exile had fought in the Civil War, and they had strong feelings against compromising the ideological purity of their cause by collaborating with other forces opposing Franco. Conversely, the younger activists, with no personal memories of the Civil War, were willing to work with other anti-Franco groups to the left as well as to the right of the PSOE. These young Socialists, who had been strongly influenced by Social Democrats in the Federal Republic of Germany (West Germany), also favored a more moderate ideology than the rigid Marxism of the old guard. By 1972 the struggle for power between these two groups had been won by the younger generation, and González was elected secretary general of the PSOE at its Twelfth Congress in 1974.

During the transition to democracy, the PSOE essentially cooperated with the reform plans set forth by Suárez, as did the other major leftist groups. When the country's first free elections since the Civil War were held in June 1977, the PSOE became Spain's leading opposition party. While growing in popularity, however, the party was beset from within by profound ideological tensions. Although the Socialists had gained support by presenting an image of moderation to the electorate, this stance was vehemently attacked by the more radical members of the party, who criticized González and his supporters for placing more emphasis on gaining votes than they did on advancing the interests of the workers.

This rift came to a head at the party's Twenty-Eighth Congress in May 1979. When González failed in his effort to remove the term Marxist from the party's constitution, he resigned. González was successful in his gamble that most PSOE members considered his leadership invaluable, and at an extraordinary congress held in September 1979, he was re-elected on his own terms. The party no longer defined itself as Marxist, and policies of moderation and pragmatism prevailed, thereby enabling the PSOE to appeal to a wider spectrum of society. This broader electoral base was a key factor in the Socialists' victory in 1982, when they increased their popular vote from 5.5 million in 1979 to 10 million.

Nevertheless, González continued to emphasize economic modernization rather than traditional socialist policies, which resulted in increasingly vociferous opposition from his historical base of support, the labor unions (see *Political Developments, 1982-88*, this ch.). A poll taken at the end of 1987 revealed a steady, albeit not dramatic, decrease in popular support for the Socialists. Even so, in mid-1988 the PSOE, as governing party, had no serious rival.