REFLECTIONS ON THE MODERNIZATION OF SPAIN

Rodrigo Botero
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Reflections on the Modernization of Spain

Rodrigo Botero

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We are very pleased to publish this essay by Rodrigo Botero as the twenty-ninth in the ICEG series of Occasional Papers. This series, begun in 1987, offers the reflections of distinguished scholars and policy makers on economic development issues.

Spain today is a model of political and economic modernization. Looking at its strong market economy (among the ten largest in the world) and democratic government, we can easily forget that only thirty years ago, Spain was a semi-industrialized developing country ruled by an authoritarian dictator. Though a latecomer to modernization, the speed at which Spain accomplished the transition is unique in Western experience.

Because of similarities of cultural, economic, and political background, Spain offers some salient lessons for Latin American nations now approaching the modernization process. Mr. Botero discusses why Spain came late into the developed world and how the myth that Iberian culture is essentially antithetical to economic development has been put to rest. Spain's success—won through national resolve, careful planning, and hard work—holds out much encouragement to underdeveloped countries that share the Iberian heritage.

Mr. Botero brings a wide range of economic experience and expertise to his topic. A former minister of finance of Colombia, he has served in the Colombian government in many advisory capacities. He is the founder of Fedesarrollo, a nongovernment policy research center in Bogota, and the founder and publisher of two journals on economic affairs. He has served on the Brandt Commission on International Development Issues. From 1988 to 1991 he was a visiting scholar and associate at the Center for International Affairs at Harvard
University. The insights he sheds on the modernization process in Spain are sharpened by his grasp of history as well as economic development.

Nicolás Ardito-Barletta  
General Director  
International Center for Economic Growth

Panama City, Panama  
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ABOUT THE AUTHOR

Rodrigo Botero, a private economic consultant, is a former minister of finance of Colombia. He has also served the Colombian government in other capacities at home and abroad, including appointments as special adviser to the president on economic affairs, economic counselor at the Colombian Embassy in Washington, economic adviser to the Ministry of Finance, and executive director of the Magdalena and Sinu River Valleys Authority. In addition, he has represented his country at numerous international conferences.

Mr. Botero was founder and first executive director of the Foundation for Higher Education and Development (Fedesarrollo), a nongovernment policy research center located in Bogota, of which he is now a trustee. He was founder and publisher of Coyuntura Económica, a quarterly economics journal, and of Estrategia, a Colombian journal on contemporary economic, social, and political affairs. He served as a member of the Brandt Commission on International Development Issues and sat on the board of trustees of the Ford Foundation and the Aspen Institute. From 1988 to 1991 he was a visiting scholar and associate at the Center for International Affairs at Harvard University.
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During the last thirty years Spain has experienced unprecedented economic, social, and political change. Within this period of time a formerly underdeveloped economy became developed, a once backward society joined the mainstream of Western European patterns of behavior, and an authoritarian regime was transformed peacefully into a parliamentary democracy.

Until the 1950s, Spain's economy was that of a semiindustrialized developing country. Agriculture was the leading sector, in that it provided employment for a major share of the labor force and contributed a significant proportion of Spain's total exports. Spain was still a recipient of external assistance. Today, Spain's economy is among the ten largest market economies in the world. Output per inhabitant is on the order of US$9,300 a year. Manufacturing and services have displaced agriculture in their contribution to total output, employment, and foreign exchange. Spain has become a net contributor to multilateral development institutions and has established a vigorous bilateral cooperation program of its own. A recent beneficiary of Spain's bilateral financial cooperation has been the former Soviet Union.

The changes that have taken place in social relationships and public mores are also indicative of a far-reaching transformation. The
emergence of a large, affluent, and politically powerful middle class has modified relations between social groups, between the sexes, and between generations. It has also altered the way in which Spaniards relate to each other and to the outside world.

What is noteworthy about present-day Spain is its similarity to the rest of Western Europe in the prominent role assigned to civil liberties, democratic principles and secular values, women's rights, religious freedom, and the protection of regional and linguistic diversity. Separation of church and state is now the norm. Church control over education and culture has been abolished. Divorce, contraception, and abortion have been legalized. Censorship of the media has disappeared. The military is under civilian authority. The armed forces and the church hierarchy have been confined to their clearly defined spheres of responsibility within a democratic society.

Political parties, labor unions, economic interest groups, the mass media, and a variety of voluntary associations compete with one another in their attempts to shape public opinion and to influence government policy. What has finally come to pass is the fulfillment of the long-cherished dream of Spanish modernizers and reformers since the nineteenth century: the closing of the gap between Spain and the Western world.

The Spanish transition to democracy (1975-1978) was successful in the achievement of its overall goal and exemplary in the manner of its execution. It was carried out swiftly but smoothly within the existing legal framework. The institutional changes were brought about by negotiation between the government and the opposition, with compromises on both sides and a deliberate search for consensus. The political apparatus of dictatorship was abolished, but there was no attempt to take revenge on officials of the previous regime. Ideological differences were moderated by a spirit of tolerance, mutual respect, and political civility.

Several factors contributed to this spirit of conciliation. There was an awareness of the need to avoid the intransigence that had brought the Civil War of 1936-1939 and the subsequent dictatorship of thirty-nine years. A new generation that had no memories of the Civil War had assumed leadership. King Juan Carlos, the new head of state, played a critical role by placing the prestige of the monarchy unambiguously on the side of democracy. From among the former supporters of Franco,
an important group had emerged that favored democratization. The opposition parties, particularly the Socialists and the Communists, influenced by the experiences of the Allende regime in Chile and the revolution in Portugal, had abandoned the concept of class struggle. Discreet pressure toward democratization was also applied by the Western powers. The European Economic Community (EEC) had conditioned approval of Spain's application for membership on the adoption of a democratic form of government.

As an example of political modernization, the Spanish transition has been followed with interest in countries with similar problems. During the past decade, policy makers and scholars in several Latin American countries that were making the transition from authoritarianism to democracy tried to extract lessons from the experience of Spain. More recently, as the countries of Eastern Europe look to the West in their efforts to transform their political systems, the Spanish model is being studied with interest.

Careful examination of the Spanish experience suggests that at the time of the political transition—from Franco's death in November 1975 to the adoption of the constitution in December 1988—the process of economic and social modernization was already well underway. During the last fifteen years of the Franco regime, rapid and sustained economic development had brought about large-scale industrialization, urbanization, and the emergence of a consumer society. During the first half of the 1970s, Spain found itself in the peculiar situation of being the only industrialized capitalist country in the world that did not have a democratic form of government. Economic and social change both preceded and helped to bring about democratization.

It is one of the ironies of modern Spain that a regime originating in the rejection of liberal democracy should leave as one of its main achievements the economic modernization that would contribute to the successful adoption of a liberal democratic system. Along the same lines, it has been the task of Spain's Socialist party, in office since 1982, to provide modern capitalism with democratic legitimacy and to assure Spain's participation in the North Atlantic Treaty Organization (NATO) with the backing of a nationwide referendum.

The establishment of a liberal democracy in Spain required major institutional innovations. The governmental framework inherited from
the Franco regime had to be dismantled. New relationships had to be defined between political power and the civil society, between the central government and the regions, between church and state, between armed forces and democratically elected civilian authorities. The formal reconciliation of the society from the wounds of the Civil War and its consequences had to be achieved.

This partial summary of items on the national agenda at the time of the transition from dictatorship to democracy helps us appreciate the magnitude of the challenges confronting the nation’s leadership in the immediate post-Franco period. Spain’s two transitions to democracy in this century coincided with periods of international economic crisis. In 1931 it was the Great Depression. In 1975 it was the recession in the industrialized countries that originated in the 1973 oil shock. Spain, as a major oil-importing country, suffered a loss of income and a deterioration in its external accounts as a result of the sharp increase in the price of crude oil. This was aggravated by the unwillingness of the authorities to adjust the economy to the new price of energy. At the end of the Franco regime there had not been the political will to make unpopular economic decisions. In the early years of the transition period, the new leadership had given the highest priority to political reform, allowing economic policy to drift. This failure to adjust in time exacerbated the adverse effects of the oil shock and accentuated the economic disequilibria. In 1977 the rate of inflation was 26 percent, and the magnitude of the trade deficit was equal to 6 percent of the gross national product. To prevent a financial crisis that would have complicated the political transition, the government put together its adjustment strategy within the context of a comprehensive economic reform program and submitted it to the leaders of the recently legalized political parties. As a result of these discussions, the government obtained political support for an orthodox economic policy that included monetary stabilization, fiscal reform, readjustment of the exchange rate, and limitation of wage increases to the desired future rate of inflation rather than to the existing rate.

The aggregate of adjustment, stabilization, and reform measures is known as the Moncloa Agreements, which were subscribed by the participants in October 1977. The significance of the Moncloa Agreements lies in the explicit consensus of Spain's democratic leadership
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on the main guidelines of economic policy required for short-term adjustment and for medium- and long-term restructuring in preparation for membership in the EEC. The implicit understanding that the nation's economic health should not be sacrificed for the sake of partisan advantage provided Spain with a consistent, predictable economic policy that has not been fundamentally altered by changes in government. This continuity in the economic groundrules is an achievement of contemporary Spanish statesmanship that has served the nation well.

From 1977 onward the commitment to modernize Spain by bringing it fully into the EEC became a broadly based national goal. The Moncloa Agreements gave the transitional government the necessary political support to adopt the immediate adjustment measures called for by the economic crisis. Of no less importance for the long term, by providing democratic legitimacy to a market-oriented economic rationale, the consensus obtained in 1977 confirmed that the commitment to preserve a capitalist system in Spain was no longer at issue.

As of 1986, membership in the European Community (EC) has required a large degree of harmonization of Spanish economic policies with those of the other member states. Free flows of goods and of capital within the EC as well as participation in the European Monetary System impose an external element of discipline on macroeconomic management and diminish the margin of maneuver of an individual member country. While this has given rise to complaints that Spain's economic policy is not significantly different from that of Britain or Germany, the loss of autonomy in policy making has been compensated for by the benefits of membership in the EC. With the adoption of a new constitution in 1978, the change of government in 1982 after the electoral victory of the Socialist party, and membership in the EC and in NATO, Spain ratified its transformation into a modern, European, industrialized democracy. Spain has at long last ceased to embody the rejection of modern Western culture. An attempt to bring back the old order by means of a military coup in February 1981 was thwarted by the decisive intervention of King Juan Carlos. The monarchy has become a respected institution enjoying widespread popular support as a pillar of democracy. It has also become the symbol of democratic Spain.

Notwithstanding all that has been achieved during and after the transition to democracy, contemporary Spanish society confronts a variety
of problems as it becomes more fully integrated into the EC. Some of them have been brought about by the rapid growth of the 1960s and the economic crisis of the 1970s. Others are deeply rooted in the nation’s more distant past. Terrorism by Basque separatists is an enduring political problem that originates in the troubled relations between Castile and other regions of Spain, particularly those with a strong cultural and linguistic identity. Persisting high unemployment is one of the weak points in overall economic performance. Spain’s unemployment rate in 1977 was 5.6 percent, almost the same as the EEC average of 5.3 percent. By 1987 Spain’s rate of unemployment was 20.5 percent, almost twice as high as that of the EEC (11 percent). As of June 1991, after a period of gradual improvement, Spain’s rate of unemployment was 15.5 percent, still significantly higher than the EEC average rate (8.7 percent). This disparity reflects in part the severity of the economic crisis brought about by the oil shocks of the 1970s, compounded by inadequate adjustment policies. It also reflects political rigidities in the labor market, as well as higher rates of participation of married women in the work-force. Given existing demographic trends, it appears unlikely that Spain will return to single-digit rates of unemployment before the end of this decade.

Other problems that can be classified as delayed costs of the “economic miracle” are: rapid and disorganized urban growth, a government-promoted industrial sector in need of restructuring, environmental damage caused by overdevelopment of coastal areas for tourism, inadequate public services and social security, and the practice of overindexing wages as a way of obtaining labor’s compliance with the regime. Full economic parity with the mature industrial powers of Europe is still a long way off. A modernization gap that has existed for centuries cannot be eliminated in a few decades. Spain’s output per capita is still one-half that of Germany, and the development of an adequate technological and scientific infrastructure remains a part of the national agenda.

Nevertheless, the fact remains that Spain today is one of the privileged group of prosperous, industrialized, democratic nations that are referred to as “first world countries,” with the economic, political, and cultural features characteristic of an advanced, modern society. Levels of education, health, and material well-being are better than at any time in the nation’s history. Spain’s international prestige is at an all-time
high. Madrid and Barcelona are cosmopolitan centers with vibrant cultural and artistic lives. The monarchy has never been more popular at home, or more respected abroad. Spain is wholeheartedly committed to the goal of European unification, while maintaining privileged relations with Latin America. The Spanish government has made a significant transfer of economic sovereignty to the EC at the international level. Domestically, Madrid is sharing power with the different regions of Spain, within an institutionalized system of autonomous administrations. After a hiatus of one and a half centuries, Spain is now playing an active and constructive role in the Western hemisphere as an advocate of democracy, a link to the EC, a partner in economic cooperation, and a role model.

From the viewpoint of the semiindustrialized countries of Latin America, the Spanish experience from 1959 to the present appears particularly relevant for several reasons. The characteristics and the overall level of development of the Spanish economy in 1959 are quite similar to those of the middle-income Latin American countries at present. Because it was such a latecomer to modernization, Spain's transformation is much closer to them in time than those of the principal industrialized countries of the Western world. But perhaps the most important reason is cultural. By breaking away from political and economic backwardness, Spain destroyed the widespread myth that Iberian culture and underdevelopment were synonymous. In the opinion of foreign observers, as well as that of many Spaniards, Western democracy and economic prosperity were somehow incompatible with the Spanish religious and cultural heritage. In part this can be attributed to a deliberate campaign on the part of some of Spain's old adversaries, the so-called Black Legend. But there were domestic contributions to this pessimistic assessment of the national character. The subsistence of this myth provided a justification for authoritarian rule as well as an alibi to the privileged few. Repression and poverty could be explained away as being inherent to the national ethos, as being somehow culturally determined. The nation's political turmoil during much of the nineteenth century and the trauma of the Civil War in this century appeared to provide empirical support to the pessimists.

As long as Spain and Portugal remained politically and economically outside the mainstream of Western Europe, Latin American underdevelopment could be interpreted as the more or less natural manifestation
of the Iberian heritage. Even if it is not possible to determine precisely how significant such a factor may be, the belief that the prevailing culture is somehow incompatible with liberal democracy and with economic development certainly does not contribute to economic and political modernization.

It is an undisputed fact that within the last two decades, Spain has successfully made the transition from underdevelopment to development and from authoritarianism to democracy. It is equally true that modernization arrived much later in Spain than in the other industrialized countries of Europe. The transition to the status of an advanced, democratic country occurred when Spain had changed traditional patterns of behavior. If some of those traditional patterns of behavior were indeed detrimental to modernization, the fact that they could be discarded provides an encouraging lesson not only for Spain but for countries of Spanish heritage.

The following section places Spain's role as a latecomer to modernization in historical context. After that, the reversal of economic policy of 1959 and subsequent period of rapid growth is discussed. A brief concluding section identifies aspects of the Spanish experience that may be relevant for some of the semiindustrialized countries of Latin America.

A Late Modernizer

In comparison to the countries of Northern Europe, Spain came late to modernization. It was also a precocious imperial power. These two facts are perhaps not unrelated. At the end of the fifteenth century, Isabella of Castile and Ferdinand of Aragon completed the process of reconquering territory from the Moors with the occupation of the Muslim kingdom of Granada (1492). The voyages of discovery to the New World and the conquest of Mexico and Peru would provide the crown of Castile with a trans-Atlantic empire and with unprecedented flows of gold and silver. Politically, the predominance of Castile over the remaining parts of Spain—through dynastic alliance or by conquest—gave rise to a centralized system of government that emphasized royal power at the expense of local privileges or a parliamentary role for the aristocracy. Both of the latter were regarded as threats to the political unity of the
realm and to royal authority. The Castilian tradition strengthened the trend toward absolute monarchy, which Philip II personified in the sixteenth century.

The drawn-out struggle to expel the Moors from Spain—the Reconquista—left its imprint on the religious and political practices of the Castilian nobility. Those members of society dedicated to fighting acquired a predominant role: warrior-kings, knights, military orders. Religious fervor was mobilized as an instrument of royal policy, as part of a crusade against the infidels. A policy of religious exclusivism emerged that would lead to the expulsion of Jews in 1492, the expulsion of the Moriscos in 1502, and after the Reformation to the suppression of any deviation from Catholic orthodoxy. The waging of “holy war” against the Moors under the banner of St. James gave a peculiar intensity and belligerence to Spanish Catholicism. Promoting religious orthodoxy at home and abroad became a high priority for Spanish monarchs. During the Counter-Reformation, the Spanish Crown embraced in all earnestness the roles of Sword of Rome, Light of Trent, and Hammer of Heretics. Furthermore, Spanish kings pursued religious orthodoxy at political and economic costs that appeared excessive to their European contemporaries.

The practice that developed during the Reconquista of confiscating the reconquered lands and distributing them to military leaders as reward for service affected the attitude of the Castilian nobility toward wealth. Wealth came to be perceived as something acquired through the exercise of the military virtues of valiancy, loyalty, and obedience, something to be conquered rather than something to be created through hard work, thrift, and enterprise. Economic activity did not rank highly within this system of values. This fact, and the primacy given by Spanish rulers to religious objectives, contributed to hinder the economic modernization of Spain. The stern, uncompromising, religiously inspired warrior mentality that emerged from the struggle against Islam, and served the purpose of reconquering Spanish territory in the late Middle Ages, was at odds with the bourgeois, commercially oriented, increasingly secular values emerging in Northern Europe in early modern times, particularly in the Netherlands and in England.

During the sixteenth century and the first half of the seventeenth century, Spain came into conflict with the Ottoman Empire in the
Eastern Mediterranean, with France, with England, and with the Netherlands. The human and financial cost of trying to undo the Reformation by military force and of maintaining a worldwide empire became unbearable. The attempt to impose religious conformity and royal absolutism on the Low Countries provoked a revolt against the Spanish monarchy that lead to the independence of the United Provinces in 1648. The revolt of the Netherlands made manifest the religious, political, and economic differences between the medieval values of Castile and the commercial and civic orientation of the Dutch bourgeoisie. This long and bitter struggle would bring about a golden age of economic prosperity, cultural refinement, and maritime expansion for the United Provinces—and would lead Spain to financial exhaustion and to the end of its role as a major European power. Richard Dunn (1979) compares the experiences of the two countries:

There is no simple explanation for Spain's economic disaster or for the Dutch boom prosperity. The Spaniards imported eighteen thousand tons of silver and gold only to wind up poorer in 1715 than they had been in 1559, while the Dutch had no gold mines or other natural resources, yet emerged in 1715 far richer than in 1559. In Spain the population shrank, farm production fell, sheep ranching declined, and the textile industry collapsed. In the Dutch republic the population grew, farm production rose, stock breeding improved, and the textile industry flourished. In Spain the government's oppressive tax policy and rigid trade regulations strangled private enterprise. The Dutch government taxed business without killing it, and Dutch merchants pooled their resources in joint-stock companies, built fleets of flyboats, developed techniques for banking, exchanging, investing, and insuring capital, and became the middlemen of Europe. Both states were at war most of the time, but while the costs of Philip II's armies drove Spain into irredeemable bankruptcy, the Dutch thrived on war until the mid-seventeenth century and could still float low-interest government loans to cover military expenses at the end of the century.

By the second half of the seventeenth century Spain's supremacy in Europe was at an end. France emerged as the major power on the Continent, while the United Provinces and England were experiencing great advances in international trade, finance, and navigation. At the conclusion of the War of the Spanish Succession (1702–1714), Spain was
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deprived of her remaining possessions in Europe (Spanish Netherlands, Naples, Sicily, Sardinia, Milan, Tuscany, and Mantua) as well as Gibraltar and Minorca. Furthermore, she was forced to make commercial concessions to England in the New World.

The century of supremacy in Europe and the almost constant state of belligerence implied a high priority to military expenditure at the expense of productive investment and of civilian needs. This distortion would have long-term consequences for the Spanish economy, as Juan Lalaguna (1990) describes:

The long years of ascendancy locked the leading forces of the country in the firm belief in the profitability and rightness of their cause. For a long time they could argue that their short-term advantage and gratification were vindicated by the durability of their eminent position in the world. Power and wealth were then as they are now ultimate ends of national policy. Their congruence was clearly understood by the rulers and the ruling classes. It was felt that war was the only way to ensure Spain’s economic survival. In a world where wealth was believed to be finite, the acquisition of it could only be at the expense of others. Spain was therefore pinned to an endless struggle which she was forever hoping to resolve by a final, decisive battle. For a hundred years of supremacy in Europe she had to maintain a permanent army, the first ever, of up to 85,000 men fighting a costly war of long sieges and stalemates. Castilla’s formative years in the struggle against Islam had shaped her into a society made for war; the prolongation of this conflictive situation well into the modern period defined its material base as an economy under siege, closing in on itself to protect its territorial and spiritual integrity against all enemies, and further reducing the ability to opt for a different course of action.

The economic lethargy of Spain in the mid-eighteenth century and the consequences of its commercial policies can be illustrated by the following example. Havana fell to the English in August 1762 and was under English control until July 1763. Before 1762, the number of ships calling at Havana did not exceed fifteen per year. During the eleven months under English control, “over 700 merchant vessels alone entered with English manufactures, and with foodstuffs, timber, animals, and iron-ware from Britain’s North American colonies, and with slaves” (Stein and Stein 1970).
The nineteenth century brought Spain modest economic progress with the building of railways, mining, and the beginning of industrialization in Catalonia and the Basque region. It also brought political instability, military intervention in politics, conflict with the church, and the loss of the American colonies and the Philippines. While Spain was able to stay out of the two world wars in this century, unresolved social and economic conflicts and political mismanagement brought about a period of military dictatorship in the 1920s, the Civil War in the 1930s, and an authoritarian regime that lasted until 1975.

The Stabilization Program of 1959

Strictly speaking, the Stabilization Program of 1959 can be described as a set of measures adopted by the Spanish authorities, with substantial external support, in order to correct internal inflation and current account disequilibria. However, such a description understates the significance of the changes brought about in the stabilization context, or the economic growth and transformation that took place after the adjustment had been successfully achieved. The 1959 Stabilization Program represents a landmark in Spanish economic policy because it signals the repudiation of economic autarchy as a national goal. Instead, Spain chose active participation in the international economy, starting with the EEC.

Spain had followed a highly protectionist foreign trade policy since the end of the nineteenth century. A combination of external circumstances and political preference resulted in an economic policy of self-sufficiency that was implemented after the Civil War in 1939. The war caused enormous destruction of industrial capacity, buildings, and transportation facilities. Though a nonbelligerent nation during the Second World War, Spain was denied admission to the United Nations in 1946. Economic sanctions, in the form of trade and credit embargoes, were put into effect. Spain did not participate in the Marshall Plan and was excluded from the European bodies created to coordinate the postwar reconstruction effort. During the early postwar period, therefore, Spain's international isolation was imposed by the outside world. Economic autarchy in that period was not a deliberate choice but a response to external constraints.
After 1950, the attitude of the Western powers, particularly the United States, toward Spain began to change in view of Soviet behavior in Europe and Asia (see Rubottom and Murphy 1984 and Whitaker 1961). In November 1950, the UN General Assembly revoked the 1946 resolution that had barred Spain from membership. In 1953 the United States and Spain signed agreements for the construction of military bases and economic assistance. In 1955 Spain became a member of the UN, and in 1958, it joined the organization for European Economic Cooperation (OEEC), the International Monetary Fund (IMF), and the International Bank for Reconstruction and Development (IBRD).

During the 1950s, it became possible for Spain to normalize diplomatic as well as economic relations with the Western nations. With economic expansion underway, new opportunities for trade and investment developed. A greater margin of maneuvering was available to Spanish policy makers. By 1958 events were offering alternatives to the existing policy. At the same time, the threat of a balance of payment crisis was creating a sense of urgency, providing a challenge as well as an opportunity. During the period 1950–1958, Spain's GNP grew at an average annual rate of 5.4 percent, a notable improvement over the previous decade's rate of 1.3 percent. The decade of the 1950s can therefore be described as one of economic growth through industrialization based on import substitution. As can be observed from

<table>
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<tr>
<th>TABLE I</th>
<th>Relevant Events in Spain's International Relations, 1946–1959</th>
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<tbody>
<tr>
<td>December 1946</td>
<td>Spain is excluded from the UN and related international organizations.</td>
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<td>November 1950</td>
<td>The UN revokes its decision excluding Spain.</td>
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<tr>
<td>September 1953</td>
<td>Spain and the United States sign agreements regarding military bases and economic assistance.</td>
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<tr>
<td>December 1955</td>
<td>Spain becomes a member of the UN.</td>
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<td>September 1958</td>
<td>Spain joins the IMF and the World Bank.</td>
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<tr>
<td>June 1959</td>
<td>Spain outlines a new economic policy in a memorandum to the OEEC and the IMF.</td>
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Table 2, by 1958 significant advances had been made in the process of import substitution.

Spain was reaching the point by 1958 at which further substitution of imports becomes increasingly costly and intensive in the use of foreign exchange. But foreign exchange was not readily available. By the end of 1958 net international revenues had dropped to $2.6 million, and by June 1959 they had turned negative (see Table 3).

The combination of domestic inflation and a fixed exchange rate had brought about a sizable overvaluation of the peseta (the official rate of 42 pesetas per dollar compared to a market rate in the range of 58 to 63 pesetas per dollar).

The acute exchange crisis came about by trying to shelter the rate for the peseta from inflation, through a series of harmful interventions, that widened the gap between the official and the free market exchange rates. The negative figures for foreign currency receipts are the most dramatic sign of this policy. The economy had no alternative but liberalization or an intolerable reduction in living standards, perhaps coupled with a drastic hardening of political conditions. (Gonzalez 1979)

Several factors contributed to undermine the pursuit of autarchy as an economic policy objective. The cabinet changes of February 1957 brought into the ministries of finance and commerce advocates of integration with Europe: Mariano Navarro Rubio and Alberto Ullastres. The first steps toward the formation of the EEC signaled to Spain an attractive alternative to isolation. The rapidly expanding economy of Western Europe offered valuable opportunities for trade and investment. The possibility of participating in this rising prosperity through a different economic strategy—or, alternatively, the danger of falling farther behind the rest of Europe by closing the Spanish economy further—strengthened the hand of the advocates of liberalization within the regime. The technical advice that Spain was receiving from the United States, the OEEC, the IMF, and the World Bank favored the adoption of market-oriented policies. These external actors were influential because their recommendations were backed by substantial financial resources. They also represented the part of the international community that was most important to the Spanish regime.
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<th>1935</th>
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<tr>
<td>transportation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>equipment</td>
<td>57</td>
<td>15</td>
</tr>
<tr>
<td>Basic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>metals</td>
<td>25</td>
<td>7</td>
</tr>
<tr>
<td>Chemical</td>
<td></td>
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<td>products</td>
<td>22</td>
<td>15</td>
</tr>
<tr>
<td>Textiles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper</td>
<td>22</td>
<td>4</td>
</tr>
<tr>
<td>products</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**SOURCE:** Gonzales 1979.
The policy of economic isolation was backed by entrenched economic and bureaucratic interests. Protectionism, dirigisme, and state interventionism in all aspects of economic life have a long tradition in Spain. In the early years of the Franco regime, this mind-set was reinforced with the ideology of the Falange, Spain’s fascist party, which was opposed to economic liberalism. Self-sufficiency had become a political goal of the regime. Detailed regulation of labor, commodity, and financial markets was the norm. Instituto Nacional de Industria (INI), the state holding company established in 1941 (patterned on Mussolini’s Istituto per la Ricostruzione Industriale, or IRI), had become a major factor in Spain’s manufacturing sector. According to the Industrial Law of October 1939, Spain was to be “redeemed from the importation of exotic products.”

Economic liberalism was not a concept that General Franco found attractive. To an authoritarian, Catholic, conservative, and inward-looking regime, the objective of bringing about a closer integration of Spain with the Western nations was not without shortcomings. Arguments were invoked against such an option on the grounds of nationalism, religious orthodoxy (a Spanish bishop had denounced the pursuit of “Protestant dollars” at the time of the military bases agreement), and cultural and political contamination.

However, by June of 1959 a balance of payments crisis was at hand. Liquid reserves were virtually nonexistent, and a default on international payments was imminent. The advocates of liberalization offered a policy package, backed by substantial external support (see Table 4). They
Reflections on the Modernization of Spain

TABLE 4  External Support for the 1959 Stabilization Program
(in millions of U.S. dollars)

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Monetary Fund</td>
<td>175</td>
</tr>
<tr>
<td>U.S. commercial banks</td>
<td>71</td>
</tr>
<tr>
<td>European governments (consolidation of bilateral credits)</td>
<td>45</td>
</tr>
<tr>
<td>U.S. government (economic cooperation agreements)</td>
<td></td>
</tr>
<tr>
<td>Export-Import Bank</td>
<td>30</td>
</tr>
<tr>
<td>Military credits</td>
<td>90</td>
</tr>
<tr>
<td>Agricultural surpluses (Public Law 480)</td>
<td>60</td>
</tr>
<tr>
<td>Local currency counterpart funds</td>
<td>123</td>
</tr>
<tr>
<td>TOTAL</td>
<td>594</td>
</tr>
</tbody>
</table>


carried the day. Under pressure, General Franco gave his reluctant approval to the new economic policy.

The long-term goals of the 1959 Stabilization Program were (1) economic development, and (2) greater integration in the international economy. In order to achieve these goals, it was considered necessary to correct the disequilibria affecting the internal price level and the external sector. Attaining price stability was seen as a critical factor in bringing about an equilibrium in the balance of payments. To correct the imbalance in the external accounts, a new parity for the peseta was proposed, along with the elimination of the multiple exchange rate system. After close consultation with the IMF, the new parity of 60 pesetas per dollar was established in July for all external transactions. A temporary 25 percent ad valorem import deposit was put into effect in order to discourage speculative imports upon the elimination of import licenses and other quantitative restrictions. (This surcharge was eliminated in January 1960.) Private external capital flows were encouraged by eliminating previous restrictions to foreign investment, streamlining procedures for approval, and liberalizing rules for profit remittances and repatriation of capital. An amnesty was offered to owners of Spanish assets abroad.

The policy shift implicit in the new approach to the foreign sector was the acceptance of the price system as a more adequate balancing
mechanism than administrative controls. Heavy-handed interventionism would be replaced by participation in the international economy. Although the transition to a modern market economy would be neither smooth nor easy—the process would include contradictions, hesitations, and even set-backs—economic liberalization as a concept became acceptable after 1959.

To correct internal imbalances, the Stabilization Program proposed the adoption of fiscal and monetary policies necessary to insure that total investment, private and public, would not exceed voluntary saving. This implied the abandonment of the strategy of forced industrialization through import substitution and inflationary spending, which had characterized the search for autarchy. Monetary discipline was imposed. The issue of public debt instruments with guaranteed rediscount by the Bank of Spain was suspended. A ceiling was placed on the availability of credit by the commercial banking system. The discount rate was increased. Subsidies to state enterprises were discouraged. Public spending was curtailed. The state public holding company, INI, was deprived of privileged credit facilities at the Bank of Spain.

Most significantly in this part of the program, price stability was chosen as the fundamental objective. Other goals (such as industrialization) became subservient to the primary objective of eliminating inflation. Furthermore, inflation was now recognized as a macroeconomic disequilibrium to be corrected by appropriate fiscal and monetary policies.

The outline of the new economic policy, and the description of the specific measures to be adopted in order to implement it, can be found in the memorandum of the Spanish government to the IMF and the OEEC of June 30, 1959. (The text of this document is published in Muns 1986, 326.) The Spanish authorities committed themselves to do the following:

1. Bring public sector accounts into balance by increasing revenues and limiting expenditures. A ceiling is established on total expenditures so that the deficit may be financed in a noninflationary manner.

2. Establish strict monetary discipline. A ceiling on credit expansion by the commercial banks is agreed upon. Monetary stability is accepted as an explicit policy objective requiring new instruments of monetary control.
3. Adopt a new parity for the peseta in agreement with the IMF and eliminate the multiple exchange rate system.

4. Liberalize imports through a progressive elimination of quantitative restrictions.

5. Move toward a system of multilateral payments and eventual convertibility of the peseta.

The memorandum states that

the enormous difficulties confronting Spain have required a series of interventions that have contributed to isolate its economy from those of other Western countries. . . . This isolation has made possible the development of certain economic activities, whose costs have not always been at international levels. . . . The Spanish Government believes that the time has come to bring the Spanish economy into line with the countries of the Western world, and to release it from interventions, inherited from the past, that do not correspond to the needs of the present situation. . . . The Government considers that this is the moment to reduce in a noticeable manner its intervention in various sectors of the economy.

The Stabilization Program achieved its short-term objectives promptly. The increase in wholesale prices for 1959 was 2.3 percent. The balance of payments registered a modest surplus in 1959. By December 1960, net international reserves had reached the level of $500 million. After a recession of about eighteen months, the Spanish economy entered a period of accelerated growth and transformation. Between 1961 and 1973, Spain’s GNP increased at a 7 percent average annual rate, the highest in Europe. By the end of this period, a change in degree had become a change in nature. The Spanish economy was not just larger than what it had been in 1958; it was a different kind of economy.

The policy shift of 1959 allowed Spain to participate in the European expansion of the 1960s and to benefit by its proximity to a large and prosperous market. Closer economic links with Western Europe offered Spain an attractive outlet for its exports, employment opportunities for migrant workers, and a significant source of foreign exchange earnings from tourism. The indicators in Table 5 illustrate the magnitude
TABLE 5

Changes in Spain's International Accounts, 1958 to 1973
(in millions of U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>1958</th>
<th>1973</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>486</td>
<td>5,040</td>
</tr>
<tr>
<td>Imports</td>
<td>801</td>
<td>8,640</td>
</tr>
<tr>
<td>Tourist receipts</td>
<td>69</td>
<td>3,216</td>
</tr>
<tr>
<td>Emigrant remittances</td>
<td>52</td>
<td>1,268</td>
</tr>
<tr>
<td>Foreign private capital</td>
<td>15</td>
<td>795</td>
</tr>
<tr>
<td>Official reserves</td>
<td>66</td>
<td>6,800</td>
</tr>
</tbody>
</table>

SOURCE: Bank of Spain.

of the change that took place in Spain's international accounts, as the economy moved toward an export-oriented strategy.

The number of foreign travelers to Spain increased from 2.9 million in 1959, to 4.3 million in 1960, and to 10.5 million in 1964. By 1965, Spain's net earnings from tourism were the largest in the world. During the 1960s employment opportunities in Western Europe brought about a sharp increase in the number of Spanish emigrants, to about 100,000 per year. (Annual migration levels in the previous decade had been on the order of 50,000, mostly to Latin America.) In the short run, this migration alleviated the domestic unemployment situation, contributed to the balance of payments through remittances from abroad, and served as a large-scale training program for unskilled Spanish workers. The combination of exchange rate, fiscal, and monetary policies implemented as a result of the Stabilization Program created the conditions for a period of remarkable economic expansion and transformation. The abandonment of autarchy allowed Spain to profit handsomely from the dynamism of the European economy. The benefits took the form of trade flows, earnings from tourism and remittances, foreign investment, and the transfer of modern technology and management skills. The elimination of the foreign exchange bottleneck enabled industry to purchase necessary foreign capital goods and inputs.

As the rate of growth accelerated, labor began to be displaced from low-productivity sectors (agriculture and households) to high-productivity sectors (manufacturing and services). Higher household incomes and a rising standard of living provided local industry with an attractive domestic market for durable consumer goods. The construction industry expanded to meet the demands of the booming tourist sector and to
provide urban housing for the migrants from the countryside. During a period of favorable external conditions, the Spanish economy benefited from additional inputs of labor, capital, and technology, and from the redeployment and more efficient use of the factors of production to meet the demands of growing domestic as well as foreign markets.

The large productivity gains resulting from these changes contributed to the vigorous increase in output achieved throughout the decade of the 1960s. During the critical years of the breakthrough toward accelerated development, rapid growth in the aggregate supply stimulated aggregate demand, which in turn offered an additional incentive to expand output. While the favorable conditions of the international economy lasted, Spain managed to sustain an average 7 percent rate of growth in real output. By 1970 the economy of Spain was twice as large as it had been a decade earlier. Furthermore, by the 1950s Spain's pattern of population growth was closer to the norm for Europe than for the semiindustrialized developing countries of East Asia or Latin America. The combination of moderate population expansion and rapid economic growth yielded an average growth in GNP per capita of 6 percent per annum in real terms between 1960 and 1974, a remarkable achievement. Manifestations of economic modernization in people's daily lives were abundant. In 1957 there were 180,000 private automobiles registered in Spain; by 1966 the figure was 1,050,000. In 1950 there were 650,000 telephones, compared to 2.8 million in 1965. The number of television sets increased from 50,000 in 1950 to 1.7 million in 1965. Output of electricity increased from 7 billion to 37 billion kilowatt hours between 1950 and 1966. In 1960 there were 4.8 million workers in agriculture, equivalent to 40 percent of the total labor force; in 1978 the number of workers in agriculture was 2.4 million, and their participation in the total labor force had dropped to 18 percent.

During the 1960s, when the Spanish economy doubled in size, two sectors stand out as likely engines of growth because of their dynamic performance: foreign trade and fixed investment. In that decade, average annual rates of growth were 17.2 percent for imports, 12.2 percent for exports, and 11.4 percent for gross capital formation. In 1970, the value of total imports was equivalent to 17 percent of Spain's GNP, compared to 7 percent in 1960. Likewise, the value of total exports in 1970 represented 15.2 percent of GNP, compared to 9.7 percent in 1960. Gross fixed capital formation represented 23.1 percent of GNP.
in 1970, compared to 15.9 percent in 1960. The rapid expansion in foreign trade and in fixed investment reflects some of the transformations that were taking place in Spain's productive structure as the country became more fully integrated into the international economy.

Productive resources were redistributed away from agriculture toward manufacturing, trade, and other services. Agriculture's share in total output dropped to 13 percent in 1970 from 24 percent in 1960. Corresponding increases in investment, employment generation, and participation in total output took place in industry and services.

In 1970 Spain's productive structure was coming close to the pattern of the Western European countries. Spain's agricultural sector was still proportionally larger than the EEC average, and its service sector (partly due to the importance of tourism) had become proportionally larger than the average, while the industrial sector was proportionally smaller. But the emerging productive structure and the pattern of consumption that could be observed by the end of the 1960s were clearly those of an industrialized country.

After a decade of rapid growth and more active participation in the international economy, Spain's foreign sector revealed a number of features. Exports of goods registered not only rapid growth but also diversification. While in the 1950s exports had been mostly agricultural products, minerals, and raw materials, by 1970 55 percent of Spanish exports were manufactures, of which a significant part were capital goods. Imports grew at a more rapid pace than exports, in response to vigorous investment in plants and equipment and to consumer demand for vehicles, home appliances, fuel, and foodstuffs. Petroleum and petroleum products accounted for 13 percent of the value of total Spanish imports in 1970. (The vulnerability of the economy to an oil price shock would become apparent in the 1970s.) The resulting imbalance in Spain's external trade was more than compensated for by earnings from tourism, remittances from emigrant workers, and inflows of private capital.

Political Dimensions of Economic Change

Several scholars have pointed to the dichotomous political and cultural nature of modern Spain. Raymond Carr writes:
The Francoist era—though those who suffered persecution under it will find such an interpretation an insult—was a realm of mutual fantasies. The fantasy of its creator was that a system forged by a "clerical reactionary"—as the German Ambassador called Franco during the Civil War—could contain and rule what by the 1960s was an increasingly secular society, and that what Franco had once termed a totalitarian regime could survive in a democratic Europe. The fantasy of its opponents was that, before the dictator died in his bed, they could overthrow a regime which had brought prosperity after the "hungry years" of the 1940s and which enjoyed widespread, if passive, support. (Fusi 1987)

And in the words of Victor Perez Díaz:

Spain's contemporary history can be understood as the attempt to achieve three goals: (1) a modern liberal state; (2) a market economy and (3) a form of coexistence between the Catholic Church and the secular cultures...

But the solution offered by the outcome of the Civil War to these tensions was a political, social and cultural system that at least initially appeared to condemn Spain for a long time to an exotic and archaic role with respect to the trend of Western nations. Spain therefore arrived not just to the eighteenth, nineteenth or twentieth centuries, but to the second half of the twentieth century without assimilating certain concepts that the Western world had gradually and with relatively less trauma acquired over the centuries: an efficient capitalism eventually accepted by the people, a liberal democracy and a cultural system based on values of individual liberty and tolerance.

Our culture rejected the Reformation and the Scientific Revolution, the two great historical processes which had shaped the spirit of Western Europe in modern times. This weakened the Spanish Enlightenment of the eighteenth century. Cultural modernization arrived in Spain late and only partially. At the end of the nineteenth century and the beginning of the twentieth century, one could refer to two Spains: a European, modernizing Spain and a traditional Spain professing a Counter-Reformation, belligerent Catholicism. (Perez Díaz 1984)

The Civil War and its aftermath may be interpreted as part of a long-running battle between the two Spains described by Victor Perez Díaz. The Franco regime, particularly in the early years, represented the triumph of the traditional, inward-looking, authoritarian mentality.
Franco justified the military uprising against the Republic as a crusade against the enemies of Spain and the Catholic faith: communism, masonry, liberalism, and secularism. He disliked liberal democracy, a doctrine he held responsible for many of Spain's problems since the nineteenth century. The political manifestation of the regime's early period was the Falange, which became the only political party allowed to operate legally. The Falange, a right-wing, middle-class party comparable to Mussolini's fascist movement in Italy, had a nationalist-syndicalist orientation. In matters of economic policy it was unambiguously anticapitalist, favoring a high degree of state regulation and state ownership of industry. (For a detailed analysis see Payne 1961.)

However, the economic policies favored by the Falange—autarchy, state controls, production regardless of costs—were already an anachronism in the European market economies of the mid-1950s. From 1957 on, the key economic ministers began to favor a shift in policies that implied a repudiation of nationalism-syndicalism. Confronted with the need to make a choice between ideological continuity and expediency, Franco opted for the latter. In matters of economic policy Franco did not manifest rigid positions or deeply held convictions. He supported an economic policy that offered results without undermining the regime. The change toward more market-oriented policies was not taken out of ideological conviction on his part but because of pragmatic considerations of regime survival. After the success of the Stabilization Program of 1959, control of economic policy would remain, until 1973, with a group of Catholic laymen, members of Opus Dei, who were opposed to the Falange and favored close ties with Europe and North America. This group, also labeled "the technocrats" and "the development men," decisively defeated the Falange in the power struggle within the regime after 1957.

The authorities viewed economic modernization as a way of obtaining international acceptance for the regime and providing it with a claim to internal legitimacy beyond victory in the Civil War. They also expected that the material affluence made possible by sustained growth would weaken domestic opposition. Increased consumption and mass entertainment were expected to provide substitutes for political activism.

The terminology of economic development became a conspicuous component of official propaganda:
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From the sixties onwards, the political vocabulary of Franco and Francoism underwent a thorough transformation. The Fascist-sounding rhetoric of national-syndicalism was abandoned—save in the conspicuous case of one minister, Solis—in favor of a dry and colourless style, packed with economic jargon and technical terms. The new key terms used to vindicate Francoism were development and its rewards of prosperity and peace. Growth and development became the official ideals of the regime. (Fusi 1987)

The opposition in turn hoped that economic growth would bring about political liberalization; that democratization would somehow accompany industrialization. This was not to be, at least during Franco’s lifetime. The regime maintained its authoritarian character to the end, even though it tried to improve its external image and relaxed some of the harsher restrictions on freedom of the press. Democratization became part of the national agenda only after Franco’s death.

Conclusion

Spain began the process of economic liberalization in 1959, under external circumstances that in retrospect appear particularly favorable. It was a period of trade expansion and growing European prosperity. After the stage of wartime recovery and reconstruction was completed, the countries of Western Europe experienced a period of economic growth with price stability that would last until 1973. Geographical proximity to this large and prosperous market worked to Spain’s advantage in several ways. In the area of economic policy, it provided a model the success of which could be tested empirically. Germany’s market-oriented policies had led to an industrial boom, Italy’s “economic miracle” was under way, and France had successfully carried out a stabilization plan leading to vigorous economic expansion. The advocates of change within Spain in 1959 could confidently point to the results obtained by comparable countries through trade liberalization, monetary and fiscal discipline, and adequate incentives for private investors. Spanish reformers were reinforced by the recommendations of the international financial community: the IMF, the World Bank, the OEEC which evolved into the Organization for Economic Cooperation and
Development and now includes all the industrialized countries with market economies), and the U.S. government. External advice was backed by substantial financial support for a new economic policy.

Geographical proximity to a large and prosperous market also provided Spain with well-paid jobs for migrant workers, with a market for the tourist industry, with modern technology, and with information. Once the government removed the self-imposed barriers to trade and financial flows, private agents—investors, tourists, laborers—responded decisively to the new market signals. Surplus labor moved out of Spain and foreign capital moved in.

The 1959 Stabilization Program was implemented within the exceptional political framework provided by a dictatorship. Although public criticism of economic policy was tolerated, governmental support for the reforms did not depend on legislative approval or on other forms of democratic consent.

The novelty of the economic policies adopted in 1959 can only be appreciated in the context of the prevailing economic doctrines in Spain in the postwar period. To most policy makers in present-day Latin America, the goals of monetary stability, fiscal discipline, trade liberalization, a realistic exchange rate, and a market-oriented price structure would seem widely accepted and noncontroversial elements of a desirable development strategy. The advocates of reform in Spain during the 1950s had to make their case for these programs within an intellectual and political climate that was not as receptive to modern economics.

There are, however, three closely interrelated aspects of the policy innovations of the 1959 Stabilization Program that contain valuable lessons:

1. A sharp break with the past
2. The willingness to obtain external expertise and cooperation
3. The role played by professional economists

The decision to open up the Spanish economy to foreign trade, foreign investment, and foreign influences of different kinds (financial flows,
tourism, ideas) represents a clear reversal of a tradition of protectionism and inward-looking orientation. A common characteristic of societies that have modernized successfully is their capacity to respond creatively to crises by introducing the required legal or institutional reforms. That is the experience of England and the Netherlands in the seventeenth century, of the United States in the eighteenth century, and of Japan in the second half of the nineteenth century. The more typical response of a traditional society to new challenges is to turn to a glorified past for solutions and to reaffirm the familiar, time-tested ways of doing things. What the Spanish economic reformers (and their external allies) were proposing in 1959 had none of the comforts of being associated with a real or imagined golden past. The point of reference proposed was in the future, based on the expectation that the new policies would bring about the desired results.

Critical support was provided to the reform process by outside actors, in the form of technical assistance during the early stages of the Stabilization Program and financial support for the liberalization measures. In the initial stages of the process, before tangible results could be offered as evidence of success, Spanish reformers utilized the support of the relevant multinational organizations as leverage to gain the necessary political space for the new policies. While full credit should be given to the professional competence of Spanish economists for the design and the implementation of the reforms, they were no less skillful in forming alliances with external actors and in using those relationships to influence domestic policy.

Closely linked with the adoption of new policies and the self-reinforcing links with the outside world is the growing importance of the role played by professional economists in the formulation of government policy, beginning in 1959.

The components of the liberalization and development policy of 1959 originated in the technical work of economists. The adjustment programs have been carried out by professional economists in the highest positions of political responsibility. All the ministers of the economy, since the implementation of the adjustment policies, have been economists who have acted as such in the fulfillment of their political responsibilities, in spite of ideological differences. The technical inspiration of economic policy certainly does not guarantee
its success. It is, however, a necessary condition for its adequate design. (Fuentes Quintana 1988)

The intellectual questioning of the policy of economic autarchy originated in the Economics Faculty of the University of Madrid, founded in 1943. The first graduates from this school began their professional careers in 1949. Ten years later, when the Stabilization Program was implemented, a group of well-trained economists was already in place in the key policy-making centers of the Spanish government. The technical officials of the Bank of Spain and the economic ministries constitute an elite corps within the national bureaucracy. The early success of the Stabilization Program and the spectacular development of the 1960s provided credibility to the professional economists within the government and society at large. This credibility, added to other institutional characteristics of the Spanish political system, contributed to a large measure of continuity in economic policy, as well as in technical personnel. This continuity was maintained during and after the transition to democracy. Several of the economists who participated in the Stabilization Program of 1959 as young professionals were top policy makers at the time of the Moncloa Agreements of 1977. Some of them are still active and influential participants in economic policy formulation in 1991. Augmenting the locally trained professionals are the large numbers of Spanish students who have traveled abroad for postgraduate economics training since the 1960s. Many of these foreign-trained professionals now occupy positions of leadership in government, industry and banking, and academia. The emergence of a technically trained, internationally oriented, multilingual, meritocratic elite is another manifestation of the new Spain.

Investment in human capital in the form of professionally trained economists, receptivity to external ideas and cooperation, willingness to depart from the traditional style of economic management: these are some of the aspects of Spain's development experience that deserve to be studied carefully by policy makers in present day semiindustrialized countries. Making all the necessary allowances for the rather unique circumstances of postwar Spain, it appears that a well-targeted effort to train a critical mass of professional economists, and the adequate technical staffing of the Central Bank and the relevant economic
ministries, can have a very high payoff in terms of the quality and consistency of economic policy. How this is done, and the institutional and legal form that it should take, will differ from country to country according to specific circumstances. But in one form or another these ingredients will almost certainly be found in the development strategy of the semiindustrialized countries that would like to make the transition into first world status.

In the final analysis, the most encouraging and hopeful message that Spain can provide for the developing countries of the same cultural heritage is the demonstration of successful modernization. In November 1966, General Francisco Franco, in a message to the Spanish Cortes, offered his perception of the national character, which could also be interpreted as a justification for authoritarian rule.

Let the people of Spain never forget that every nation has its own familiar demons, peculiar to each one. Spain’s are: the spirit of anarchy; carping mutual criticism; lack of fellow feeling; extremism; and internecine hatred.

What contemporary Spain has proven from 1975 to the present is that even if such an assessment could have been somewhat justified in terms of past behavior, it need not be a reliable vision of the future. Proving that cultural and political barriers to modernization are not insurmountable may be the most valuable lesson the Spanish experience has to offer those countries that have yet to complete the process of breaking out of economic and political underdevelopment.
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