IS SPAIN DIFFERENT? BREAKS, PATH DEPENDENCE AND NIGHTMARES IN A SOUTHERN COUNTRY

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The purpose of this note is to explain the economic and social changes that have taken place in Spain in recent years, considering the interaction between external factors (the internationalisation of the Spanish economy) and the strategies of national actors. To this aim, we consider the characteristics of the national employment model and its evolution. This allows us to show the complexity of the interactions between internal and external factors, as well as the fact that among the Member States "labelled" as Southern European countries diversities exist.

L'obiettivo del presente scritto è spiegare i cambiamenti di natura economica e sociale che si sono verificati recentemente in Spagna, considerando l'interazione tra i fattori esterni (l'internazionalizzazione del sistema economico spagnolo) e le strategie degli attori nazionali. A tale scopo, abbiamo preso in considerazione le caratteristiche del modello nazionale di occupazione e la sua evoluzione. Ciò ci consente di mostrare la complessità delle interazioni tra i fattori interni e i fattori esterni, nonché il fatto che tra i Paesi che vengono "etichettati" come sudeuropei esistono differenze rilevanti.

Spain shares certain characteristics with other Southern European countries, characteristics that help to understand some of the problems shared by these countries: de-industrialisation, high unemployment even in periods of economic growth, high public debt, tax evasion, lack of an inclusive welfare state, gender inequality (Karamessini, 2008). Spain also shares a similar regional differentiation with Italy: a prosperous North and a lesser developed South. However, there are also important differences. Spain has experienced an economic dynamic of its own over the last thirty years: among the fastest growing European economies at some times, among those with the highest unemployment at others. For this reason, talking of Southern European countries as if they were a homogeneous group may make sense, given the great number of shared characteristics, but it can also hide important differences.

We think that general models, such as Esping-Andersen's typology of welfare states (Esping-Andersen, 1990) and Peter Hall and David Soskice's varieties of capitalism (Hall, Soskice, 2001), are useful as initial approaches to construct a general typology, but they are inadequate for explaining the specificities of individual countries. To this end, we believe

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that it is useful to take into account that each country's economy is characterised by a specific national employment model determined by four key factors: the productive structure (type of business firms, economic groups, productive specialisation and technological development), the system of labour relations (unions, collective bargaining model, labour regulations), the public sector model (regarding the regulation and provision of public services) and the family/gender system. These four factors are themselves the result of historical dynamics, social conflicts and processes of social change, and at any specific time they feature a specific structure (Bosch, Lehndorff, Rubery, 2009).

To the extent that countries are not closed spaces, the characteristics of employment models are not independent of the international position a country holds, which is based on both external and internal factors and the relationships between them. The historical development of capitalism on a world scale has crystallised into significant differences in economic and political power among nations, as well as in the creation of enormous corporations with resources and influence on a world scale. It has also led to the construction of supranational institutions that reflect in part the balance of power between nations and economic powers and in part the dominant economic ideology of their managers. National policies are strongly affected by the relative position of a country in this international hierarchy, as this position influences the degree of freedom in establishing national policies and autonomy in terms of the organisation of production.

Recognising this does not mean accepting a simplistic version of the dependency theory, which implicitly assumes that national economies are directly affected by their position in the international division of labour and in the international hierarchy. It means, instead, considering this position to play an important role in defining each country's general trajectory or path of development, and rejecting approaches that limit the analysis of national economies to an autonomous development influenced by local actors. Nor can we understand the economic situation of a country without analysing the dynamics generated by local forces. This is what explains to a great degree the differences between countries situated at a similar level in the international hierarchy. Economic elites play a crucial role in national dynamics, both for their direct influence through business groups on the national economy, as well as for their influence on the public sphere and, therefore, on public policies. Although these policies are the result of a complex interaction among social forces, in many countries the influence of these elites on the design of national policies is clearly visible.

Finally, it is necessary to consider the interactions between external and internal forces. A good example is provided by the different responses to the current economic crisis. In the majority of Southern European countries, the response has been determined by the demands of the European Union and the Troika, legitimated by the need to resort to different types of rescue policies. However, it is also clear that in the translation of these demands, local elites have taken advantage of the opportunity to impose their own projects based on their own interests (Lehndorff, 2015).

In what follows we will use this perspective to explain the evolution of the Spanish economy and its current situation. This historical review begins in a fairly distant past, but at a time that is crucial for understanding certain present dynamics. This is a very simplified schematic interpretation, which ignores many issues, while attempting to explain only key aspects of this recent history. We do not analyse, for example, the enormous regional inequalities within the country that are, on a national scale, similar to the situation experienced between Spain and the European Union. In part, a global vision of the world economy is similar to the structure of a set of Russian dolls, in which each space is contained within other spaces, though not strictly equal to each other, and the dynamics that connect these different spatial levels are more complex than a simple change in size.

1. Franco's period

The dictatorship ushered in with Franco's victory in the Civil War (1936-39) imposed an autarchic economic model, partly based on conviction and partly a result of Spain's isolation at the end of the Second World War. Although Spain endured an important recession in production during this time in comparison to its pre-war economy, it was also a time in which oligarchic groups consolidated their close relationship with political power. These groups would retain a significant power in subsequent periods. For example, banking regulations were established that in practice meant the prohibition to create new banking groups, with the resulting oligopolistic control of the financial sector (Muñoz, 1977). In this first stage, the public sector played a central role in fostering industrialisation (Banyuls, Recio, 2015). This was a public sector predominantly oriented towards guaranteeing political control over society, but one that renounced the creation of a welfare state. Instead, the Mediterranean family was essential for guaranteeing social reproduction in a society dominated by Catholic ideology.

At the end of the 1950s this model was clearly in crisis and in 1959 the government was forced to implement a plan to open up the economy. The key element was the opening of the country to foreign investment, which had a basic impact on the productive model by producing an influx of foreign capital that would play a key role in industrialising the country. Basically, it was an industrialisation process oriented towards the internal market, which was of fundamental importance in regard to the technological development, size and organisational structure of firms (Donges, 1977). The 1959 reform also included the shift from a wage system based on government regulations to one based on collective bargaining agreements, although these were negotiated through Francoist vertical trade unions. Re-industrialisation revived migration from the countryside to the city: this in turn fostered the growth of real estate activity and fed the emergence of tourism, which would become one of the largest sectors of specialisation in the Spanish economy. Foreign investment, income from tourism and currency remittances from Spanish workers in other European countries were key to the strong economic growth of the period from 1959 to 1974.

At the end of this period Spain was an industrialised economy, but one dominated by the preponderance of small businesses with low levels of technology and by foreign firms that controlled key economic sectors. Competition was limited, and the management of labour relations was reactive and with a high level of management discretion. A management culture more concerned about labour costs than innovation was consolidated, and it operated in a market that was largely closed off from the exterior. This was an economy with strong government intervention and dominated in many spheres by oligopolies closely tied to the Francoist regime. The public sector was clearly repressive and underdeveloped in terms of satisfying social needs, and featured the persistence of a patriarchal system covering those needs that were unmet by the largely non-existent welfare state. The majority of women were kept out of the labour market.

2. Democratic transition and European integration

The end of the 1970s was a critical period for Spain in two ways: Franco's death, which resulted in a change in the political regime, and the economic crisis of that time. This was a period of great social mobilisation – of both the working class and the urban population – demanding social rights and welfare policies in response to the growth in unemployment and the crisis in industrial production. EEC membership was seen as a solution to both issues, as Europe was perceived as a space that combined the welfare state with economic efficiency. However, there were conflicting tendencies in these aspirations and approaches that would characterise the subsequent evolution of the Spanish economy. Social demands were oriented towards – and aspired to – Keynesian/ social democratic policies, while the country's political economy would be colonised by neo-liberal approaches (Miguélez, Recio, 2010). The result has been an ambiguous process of development in which a limited expansion of social rights coexists with neo-liberal adjustment policies that have translated into, above all, de-industrialisation, precariousness in the labour market and the development of a weak welfare state (López, Rodríguez, 2011). European integration also meant the significant entry of foreign capital, which took control of key industrial sectors and fed a real estate bubble. Local economic elites opted, with notable success, for reorienting their activity towards specific economic sectors: banking and finance, public works, tourism and commercial distribution. The internationalisation of these large firms has reduced their dependency on the Spanish market, a reorientation reinforced by the privatisation of public businesses and services included in neo-liberal programmes.

3. Spain and the euro: growth and crisis

Spain's adoption of the euro was the culmination of this process, though it came at the cost of increasing future problems. In an initial stage it led to the massive entry of capital, which was primarily channelled into construction. The bubble in the construction sector, reinforced by ambitious public works that the government used to guarantee the activity of major national business groups, fed a growth phase through its multiplying effects and attracted an enormous wave of immigration. The growth model that was consolidated at this time has major weaknesses that have persisted from earlier periods. On the one hand, there is the weakness of the productive structure, which manifests itself in a permanent external deficit, a low capacity for innovation and labour management policies that favour precariousness. On the other hand, there is the weakness of the public sector, both in terms of its limited capacity to implement policies capable of changing the productive model, and in terms of the limited welfare state that it created.

The entry into the Eurozone and the greater internationalisation of the Spanish economy laid the foundations for the existing growth model. It did not change the productive structure but only consolidated certain sectors, while the strategy of the most powerful capitalist groups continues to follow the traditional logic of short-term capitalist speculation. When the bubble burst, because of the international crisis and through its own limits, the Spanish economy collapsed, unemployment again became massive and the financial system had to be rescued by the public sector (Banyuls, Recio, 2012). The cuts imposed by the European Union starting in 2010 caused another recession and had a severe social impact. The great increase in inequality in recent years is a direct effect of unemployment, labour reforms and the cuts in welfare programmes.

4. Final comments

This brief review of Spain's recent economic history has highlighted several elements. First, the local situation is partly brought about by the impact of external forces (the European model of integration, adjustments made in response to the current crisis), and partly by internal forces (the choice by national economic elites to focus their interests on low-technology sectors with low wages and with regressive management practices). Second, neo-liberal policies supported by different governments were not established in a vacuum. At times, they have been opposed by significant social movements, which partly explains the growth of the public sector. Behind this tension between social demands and the actual policies that have been implemented, we find substantial changes in family models and, above all, in women's aspirations for new gender relations. The family continues to be the basic provider of well-being, but this Mediterranean model has many tensions and cracks. Third, the Spanish society finds itself trapped in this seemingly unresolvable conflict between neo-liberal policies that generate de-industrialisation and austerity, local elites incapable of and uninterested in promoting a different economic model, and a population that continues to aspire to a middle-class meritocracy incompatible with current dynamics. Lastly, many of Spain's problems are common to the rest of Southern Europe, although the differences are explained by both the specificities of Spain's particular historical process and by issues as seemingly trivial as the size of the country.

The current crisis and the policies that have been implemented clearly reveal the interaction between external and internal spheres. After eight years of crisis, there has been no attempt to modify the characteristics of the productive system. The European Union has largely blocked any possibility of implementing active industrial policies. However, local elites (including the current conservative government) also appear to have no interest in any change. The slight economic upturn that has taken place since 2014 is based on the same productive sectors as before the crisis, as well as on labour management practices that are possibly even more reactionary. In addition, with the cutbacks and structural reforms that have been implemented, the already existing precariousness of the welfare state has only worsened. As already explained, these policies have been in part imposed by the EU leadership in exchange for the plan to save the Spanish banking system, and in part enthusiastically adopted by local elites.

Changing and improving the situation is possible but complex and difficult to put in practice. It would require breaking the existing inertia, and this in turn would require both internal transformations (specific to each country) and changes in the policies and directives of the European Union. As a result, we think that without a regional approach to Southern Europe, economic decline will continue, and the current slight economic upturn will be only a short-lived episode in a generalised context of crisis.

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