In 2007 Spain commemorates 21 years of European Union (EU) membership. EU integration was a catalyst for the final conversion of the Spanish economy into a modern Western-type economy. Indeed, one of the key consequences of its entry into Europe has been that membership has facilitated the modernization of its economy. Membership was not the only reason for this development. The economic liberalization, trade integration, and modernization of the Spanish economy started in the 1950s and 1960s and Spain became increasingly prosperous over the two decades prior to EU accession. Yet, the actual accession of Spain after 1986 forced the political and economic actors to adopt economic policies and business strategies consistent with membership and the acquis communautaire (which included the custom union, the VAT, the Common Agriculture and Fisheries Polices, and the external trade agreements; and later the Single Market, the ERM, and the European Monetary Union). EU membership also facilitated the micro and macro economic reforms that successive Spanish governments undertook throughout the 1980s and 1990s.

The overall economic results have been very beneficial. Spain has closed the wealth gap with the...
Fishman on Public Protest  
Continued from first page

Standing Spanish politics through a lens that emphasizes the broad relevance of the relationship between institutionalized power and citizen-led protests. In the remarks that follow I build on my own scholarship as well as that of others both to draw out practical and theoretical implications of the pattern I have described and to identify explanations for its emergence. I suggest that this Spanish paradox, along with several closely related puzzles, highlights some of the most interesting questions posed by this national case. Despite the bitterness and polarization of current Spanish politics, essentially all significant political forces now present themselves as defenders of democracy. But that universal fealty to the idea of democracy raises an obvious question at the heart of the theoretical puzzle I wish to identify: Democracy, yes, but what type of democracy? Democracy, just like capitalism, needs to be examined through a conceptual lens that identifies crucial differences, that typologies (2). Democracies differ on many dimensions including not only the design of their institutions but also the degree to which political energies and sentiments are largely channeled through such formal institutions. Spain’s place on this dimension should be clear – i.e. much relevant political expression is relatively uninstitutionalized – but that observation, standing alone, simply identifies new questions of special significance for the Spanish case and others where a great deal of political sentiment is expressed in the streets rather than through institutional channels.

One fundamental question concerns the extent to which such pervasive protest can contribute to democratic life through its impact on phenomena such as the formation of mass public opinion, the shaping of electoral processes, the activities of representative institutions and the discourse of recognized political actors. All democracies, Spain’s included, must locate decisional authority within legally constituted institutions – based on the freely expressed will of the citizenry – but the process through which the citizenry forms and expresses its opinions, and the orientation of those holding institutional power toward the manifold expressions of citizen participation, vary enormously among democ-

Despite the bitterness and polarization of current Spanish politics, essentially all significant political forces now present themselves as defenders of democracy.

MPSA 2007 PANEL: Institutions and Democracy in Spain

Bonnie N. Field, Bentley College, and Kerstin Hamann, University of Central Florida, organized a panel for the upcoming MPSA 2007 conference titled Institutions and Democracy in Spain. The accepted panel contains papers by Bonnie N. Field, Lynn M. Maurer, Alfred P. Montero, Candice D. Ortbals, and Ingrid van Biezen. Robert Fishman, University of Notre Dame, will serve as discussant and Kerstin Hamann will chair the panel.

Chair: Kerstin Hamann, University of Central Florida, khamann@mail.ucf.edu

Paper 1: Internal Party Organization and Inter-Party Relations in Democratic Spain, Bonnie N. Field, Bentley College, bfield@bentley.edu

Overview: Using the Spanish case, the paper explores the degree to which formal party institutions affect inter-party relations. It concludes that while formal institutions are important, informal institutions determine the direction of the effect.

Paper 2: The Power of Committees in the Spanish Congress of Deputies, Lynn M. Maurer, Southern Illinois University Edwardsville, lmaurer@siue.edu

Overview: The influence of the Spanish committee system is examined over eight legislative sessions based on elite interviews. Committee influence in this new democracy is found to vary according to different variables than in longstanding democracies.

Paper 3: Speaking for Place or Party? Territorial Representation and the Legislative Behavior of Deputies in the Spanish Congress of Deputies, Alfred P. Montero, Carleton College, amontero@carleton.edu

Overview: The paper asks whether individual deputies in the Spanish Congress of Deputies with experience in sub-national politics proffer questions in committee and plenary sessions as theories of territorial representation in decentralized polities predict.

Paper 4: Feminized Federalization: The Incorporation of Spanish Women into Sub-national Parties and State Institutions, Candice D. Ortbals, Pepperdine University, Candice.Ortbas@pepperdine.edu

Overview: The paper examines whether Spanish federalization feminizes political parties and the state. It concludes that federalization is advantageous (policy innovations) and disadvantageous (closed non-feminized institutions) depending on the region.

Paper 5: Life-cycle, Generation or Period Effect? Party Development in Post-Franco Spain, Ingrid van Biezen, University of Birmingham, i.c.vanbiezen@bham.ac.uk

Overview: This paper focuses on political parties in Spain: it redresses the theoretical contours for the study of party formation and development and empirically evaluates the development of the main parties throughout the post-Franco period.
Democratic elites may in practice seek to incorporate within the national political con-
versations – or exclude from it – the voices expressed in the streets, whether in the pervasive protests of
the American 1960s, or those of contemporary Spain (as well as several other national cases such as
Portugal).

Do demonstrators serve to enliven institutionalized politics and to energize public debate? Or, instead, do they strike most
citizens as merely a logistical nuisance that diminishes public space, a perspective suggested, for example, by remarks of the municipal
traffic commissioner of Seville who complained in 2002 that his city was suffering from an average of three daily demonstrations
(3)? A parallel question concerns the degree to which institutional power holders show some interest in acknowledging the
voices of those protesting in the streets. Democratically elected office holders may take account of protestors’ message and re-
spond to it, or they may simply deny its significance. Democracies may be characterized not only by the relative weight of politi-
cal expression in the streets but also by the greater or lesser interchange and conversation between institutional power holders and
those who do protest in the streets.

The greatest European countries. In 20 years per capita income
has grown 20 points (1 point per year) to reach close to 90% of the EU15 average. With the
EU25 Spain has already reached the average. The country has grown on average 1.4 percentage points more than the EU
since 1996. Furthermore, the Spanish economy has led an extraordinary process of convergence and has integrated into
the international economy. The integration with Europe has deepened: 90% of the FDI, 87% of the tourists, 74% of the
exports, and 66% of the imports come from the EU. EU inte-
gration has also allowed Spanish companies and people to access international markets, expand internationally and access
capital abroad. One of the outcomes of this process has been the growing importance of Spanish multinational firms (like Telefonica, Banco de Santander, and ACS), which have become leaders in their markets.

Spain has also benefited extensively from European funds. Since its entry into the EU, it has received approximately
150,000 million euros from agricultural, regional development, training and cohesion programs. These funds have represented
24% of the annual agrarian income (80,000 million euros in 20

...
RECENT PUBLICATIONS


Royo, Sebastián. ”The Challenges of EU Integration: Iberian Lessons for Eastern Europe." In Joaquín Roy and Roberto Domínguez, eds., Towards the Completion of Europe: Analysis and Perspectives of the New European Union Enlargement (Miami: Jean Monnet EU Chair, University of Miami, 2006).


APSA 2007 CONFERENCE PANEL:
Thirty Years of Spanish Democracy: Evaluating Institutional and Party Theories

Saturday, Sep 1, 8:00 AM Chair: Susan Scarrow University of Houston, sscarrow@uh.edu

Concertation or Concentration? The Contradictions of the Policy Process in Democratic Spain
Paul M. Heywood, University of Nottingham, paul.heywood@nottingham.ac.uk

Life-cycle, Generation or Period Effect? Party Development in Democratic Spain
Ingrid van Biezen, University of Birmingham, i.e.vanbiezen@bham.ac.uk

The Power of Committees in the Spanish Congress of Deputies
Lynn M. Maurer, Southern Illinois University-Edwardsville, lmaurer@siue.edu

Explaining Government Formation in Multi-Level Settings: Coalition Theory Revisited
Irina Stefuriuc, Vrije Universiteit Brussel, irina.stefuriuc@vub.ac.be

Inter-party Politics in Democratic Spain
Bonnie N. Field, Bentley College, bfield@bentley.edu

Discussant(s): Mariano Torcal, Universitat Pompeu Fabra, mariano.torcal@upf.edu Co-Discussant(s): Richard S. Katz, Johns Hopkins
The panel places Iberian politics in the context of existing theories of comparative politics in two ways. On the one hand, politics in Iberia are examined by applying existing theories to see to what extent these theories can illuminate politics in Portugal and Spain. On the other hand, the Iberian cases are used to assess to what extent these theories can be questioned, refined, or revised by looking at evidence from two relatively young democracies that are often excluded from comparative analyses based on longer-standing democracies.

**Papers:**

**Alfred P. Montero, Carlton College**

*Speaking for Place or Party? Territorial Representation and the Legislative Behavior of Deputies in the Spanish Congress of Deputies*

This paper asks whether individual deputies with more experience in sub-national politics ask questions, propose motions, and raise concerns in committee and plenary sessions as theories of territorial representation in decentralized polities predict. To do so, Montero extends an earlier study of the career trajectories of the 1,591 deputies who served in Spain’s Congress from the transition to democracy to 2004. The study’s data come from coding all deputies’ committee and plenary session participation during the fifth, sixth, seventh, and eighth legislatures. The analysis compares the utility of territorial representation, party discipline, and intergovernmental conflict hypotheses.

**Kerstin Hamann, University of Central Florida, and Carol Mershon, University of Virginia**

*Regional Governments in Spain: Applying Comparative Theories of Government Formation*

Hamann and Mershon apply recent theories of government formation to Spain’s 17 Autonomous Communities. What determines the composition and duration of regional-level governments? The paper employs two main sets of independent variables: institutional differences, such as varying thresholds under PR rules; and variations in the structure of the party system, including in the partisan expression of regional conflicts. The paper assesses to what extent existing theory can accommodate variations across Spain’s regional governments and illuminate differences between regional-level and national-level patterns of government composition and duration.

**Candice D. Ortbals, Pepperdine University**

*Feminized Federalization: The Incorporation of Spanish Women into Sub-national Parties and State Institutions*

This paper examines whether Spanish federalization feminizes political parties and the state—a question unresolved in the decentralization literature. Some contend that women’s movements face demobilization after democratization as institutions are formalized and fail to consider feminist goals. Yet others contend that the “small-scale” nature of local government promotes communication between politicians, bureaucrats, and activists, thereby perhaps enhancing women’s participation in new democracies (Schmitter 1999). Ortbals concludes that federalization is advantageous (policy innovations) and disadvantageous (closed non-feminized institutions) depending on the cultural and political tendencies of the region.

**Tiago Fernandes, PhD Candidate, European University Institute**

*Political Origins of Civil Society: Portugal and Spain in Comparative Perspective*

This paper analyzes the institutional and political factors influencing the emergence of civil society organizations in Iberia. It has been argued that in the Iberian countries, collective action has to a large degree been based on networks of informal solidarity, while explanations of other Western European countries have focused on the importance of formal organizations and other institutional and socio-economic factors. This chapter argues that theories of socio-economic change, social capital, and moral familism provide insufficient explanations for Spain and Portugal and that research should focus instead on long-run patterns of state-building, institutional legacies, and elite strategies.
The view of Spanish democracy that I propose incorporates some points of nearly unanimous acceptance among scholars but in other respects it departs substantially from the most conventional interpretation of the country’s political history and it focuses attention on questions rather different from those that have animated much excellent scholarship. I argue that any view which focuses only on political institutions and elites misses much of great significance in the country’s politics whether one focuses on the post-Franco regime transition, the consolidation of democracy, or post-consolidation politics. I first explore themes of relevance to contemporary democratic practice in Spain and then turn to an examination of the genesis of current patterns.

Spanish protest encompasses an extraordinarily wide array of demands, discourses and tactics, thus establishing a range of variation within which one of the most significant points of difference concerns the contrast between localistic actions intended to defend very narrow interests (such as jobs in a particular enterprise slated for closure) and broadly posed efforts that address problems of genuinely wide significance. In instances of purely localistic demands, the public significance of protest may be limited to its simple disruptive impact (on the movement of persons, vehicles and so forth), but in many other instances protest serves to raise and address important concerns – and analyses – of quite wide significance to politically engaged citizens. In Democracy’s Voices I formulate this difference as a matter of the discursive horizons articulated by local leaders and protestors, from the mining valleys of Asturias to urban neighborhoods in the great cities and smaller communities in quite varied settings. Whether one agrees or disagrees with the voices of protestors is less significant from the standpoint of democracy’s quality than the question of whether their voices engage the wider public, thereby encouraging a broader conversation and debate – or appear instead as noise to be blocked out, as narrow and unperturbing demands.

This dimension of difference and the discursive horizons of political actors take on added significance in the context of years). They have also contributed to the dramatic improvement of infrastructures (40 billion euros in 20 years): in 1986 Spain had 773km of highways, in 2006 6,267km, and 4km of each 10 have been funded with European funds; in 1986 it did not have any high-speed trains, today it has 3 lines and for every 100 euros invested in trains, 38 have came from Europe. There are 9 major ongoing infrastructure projects that will be partially funded with EU funds. Spain has also received 12,000 million euros from the cohesion funds that have helped fund projects such as the high-speed train from Madrid-Barcelona (3,518 million in EU funds). While these funds represent “only” 1% of the PIB they have played a central role because they have generated opportunities that have led to initiatives and reforms that have been key for the modernization of the Spanish economy.

The integration process also caused some growing pains. The process of industrial restructuring was very painful and destroyed thousands of jobs (unemployment reached 23% in the early 1990s). The elimination of the corporate tax and the introduction of the VAT in the 1980s were also traumatic. EU integration also brought more controls and accountability on public financial accounts. Moreover, the 1992 crisis of the European Monetary System was devastating for the Spanish economy: it led to 3 devaluations and the destruction of most of the jobs that had been created in the second half of the 1980s. Finally, the decision to join the European Monetary Union was also painful: it imposed fiscal consolidation.

The overall effects of EMU have nonetheless been positive: it has contributed to macroeconomic stability, it has imposed fiscal discipline and central bank independence, and it has lowered dramatically the cost of capital. Without the euro the huge trade deficit would have already forced a devaluation of the peseta and the implementation of more restrictive fiscal policies.
must be said that this question assumes special relevance in
ing or narrowly localistic discursive horizons (4). Moreover, it
to the dynamics leading protestors to articulate broadly engag-
studied and accounted for. There is a discernible social logic
A strongly related issue concerns the extent to which protes-
tion.

On this point there is a de facto fault line found as much
within political parties as between them. In Democracy’s Voices I iden-
tify a causally crucial distinction within the Socialist subculture between power-oriented actors focused exclusively on state
power itself and others with experiences and an orientation to politics connecting them to social movements. This dimen-
sion of variation among institutional power holders may help
to identify one of the most salient features of Spain’s current
government, namely the frequent willingness of José Luis
Rodríguez Zapatero to acknowledge – and on occasion engage
– discordant voices more or less removed from the centers of
power. This general openness to the broadening of debate on
a wide array of issues from historical memory to gender rela-
tions, international relations and beyond – as much as specific
controversies over Catalan and Basque nationalism – may help
to explain the harsh criticism to which some elements of the
Spanish political elite have subjected the Zapatero govern-
ment.

My emphasis on the political relevance of protest and of the
conversation – or disconnect – between discordant voices in
the streets and office holders runs counter to the exclusive
emphasis that much excellent work has placed on elite-
centered decision making, and thus on the holders of institu-
tionalized political power (6). The interpretation of Spanish
democracy resting on elite-centered arrangements during the
post-Franco transition identifies a very important truth, yet
one that is merely a partial truth. The view that democracy was
built almost exclusively on elite pacts or consensus was never a
fully adequate understanding of Spanish politics and the rich-
est scholarly work on Spain’s transition – best exemplified in
the extraordinary corpus of scholarship of Juan Linz – mani-
fests a more wholistic view of the socio-political process.
Elites and their agreements matter enormously, but in a coun-
try of unusually weak formal political organizations, the tri-
umph of moderation and consensus during the transition years
rested also on other foundations including widely diffused
democratic sentiments and the restraints on mobilization im-
posed by economic crisis in the early years of post-Franco
democracy (7). Whether one’s interest centers on moments
of bitterness and polarization – such as the currently dominant
mood – or times of moderation and consensus, for a complete
understanding of the forces driving Spanish politics one does
well to examine both prominent national elites and other actors
located far from the centers of power. Spanish elites and their
actions are extraordinarily important, but they do not fully
command the forces and channels of participation shaping the
country’s political fortunes.

Why has so much political energy remained on the margins –
at times well outside the margins – of institutionalized political
life? Why do the logics shaping so many political processes –
such as protest and quiescence, radicalism and moderation, the
engagement of adversaries in conversation or their disconnect
in denial – rest in part on social processes and actors largely
external to formal organizations and centers of institutional
power? Some explanations are to be found in the distant
realities of nineteenth century politics and society brilliantly
analyzed by Juan Linz in his classic essay “Tradition and Mod-
ernity in Spain”(8). But part of the explanation is to be found
in more recent history in the organizational and expressive
forms developed by the anti-Franco opposition under the re-
pressive, but contradictory, conditions of the Franco regime.
During the Franco period the relationship between
(oppositional) organization, collective action and the represen-
tation of interests took on a form thoroughly unlike the one to
be found in most democracies and many Spaniards came to
think of protests– and even the representation of interests – as
forms of expression often unconnected to formal political
organizations (9). That understanding, formed for many in
opposition to authoritarianism, has lived on in post-Franco
democracy.

Also significant is the fact that many grievances, concerns and
aspirations which were felt at the time of the democratic tran-
sition (and consolidation) were left either unsaid or, more of-
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Continued from previous page

post-Franco years. Rafael Durán Muñoz has found that the underlying demands and grievances of Spanish workers during those years were strikingly similar to those of Portuguese workers at the same time but across the Iberian border in Portugal those worker sentiments gave way to a rather pervasive social revolution — thoroughly unlike the forms of collective worker action and expression found in the Spanish case (10). Two contrasting features of the Spanish and Portuguese transitions that I outlined in a 1990 essay (11) prove highly relevant for understanding this difference between the neighboring countries of the Iberian Peninsula. Whereas the Portuguese transition was initiated on April 25, 1974 by middle-level officers of the military in a revolutionary coup, the Spanish transition was guided by reformist elements of the regime under pressure from the opposition. Portugal’s process was led by state actors and produced a crisis within the state that opened the door to an expansive period of collective protest and enterprise occupations. In the Spanish transition, the existing state structures — such as the armed forces, police, public administration and judiciary — remained in place and all democratic forces lived in some fear of a possible antidemocratic coup.

Another difference between the two cases proves relevant (12): The Portuguese authoritarian regime suffered a severe crisis of failure because of its losing war in the African colonies and for this reason the old regime lost legitimacy even within sectors that had supported it. In Spain, the final crisis of the Franco regime was not one of failure but instead of obeservience. In order to undermine the authoritarian regime’s own claim to legitimacy — rejected by many but supported by others to the end — democratic forces sought to show that the country’s division into two hostile camps during the Civil War years was a thing of the past. This logic, as well as the ability of the state to use force to prevent radicalized actions such as land or enterprise occupations, helps to explain the relative moderation of Spanish workers and leftists in the early post-

Franco years just when their counterparts across the border in Portugal were engaged in a fundamentally different socio-political process. No matter how one evaluates the comparative virtues of the Portuguese and Spanish paths to democracy, given the relative similarity of underlying sentiments and demands in the two cases, it is clear that the Spanish experience left relatively unarticulated and absent from the political agenda a number of deeply felt concerns and aspirations. Those actors sharing such concerns and aspirations have more recently often preferred relatively uninstitutionalized forms of political voice to participation in the dominant parties and conventional channels of expression (although more conservative sectors also engage in street protests).

The contrast with Chile, which followed a transition scenario somewhat similar to Spain’s, serves to underscore the magnitude of the themes left largely off the Spanish political agenda for more than two decades. In the Chilean case a great deal has been done to address human rights abuses of the authoritarian rulers (13) but that theme was thoroughly avoided in the post-Franco institutional settlement.

Spanish democracy was the brave and skillful creation of multiple political actors many of them located far from the great centers of power and all operating under difficult circumstances. Much the same can be said of neighboring Portugal, although both the circumstances and the outcomes were enormously different in the two neighboring cases. Yet the successes of both Iberian transitions, and the political ingenuity demonstrated by their principal protagonists, do not absolve social scientists from the need to search for enduring consequences of the roads followed to democracy (14). I have argued in this short essay that distinctive features of Spain’s successful path to democracy help to account for the country’s unusually large disconnect between institutionalized politics and the voices of protest frequently heard in the streets. Whether those two spheres of collective expression can be largely reconnected without producing a return to the destructive polarization experienced during the Second Republic stands as one of the greatest challenges of contemporary (and future) Spanish politics.


2. For important work placing the Spanish political economy (or political economies) within the framework of the varieties of capitalism literature, see Sebastián Royo’s new book, Varieties of Capitalism in Spain. (New York: Palgrave, 2007).


4. This point constitutes one of the main themes of analysis in Robert M. Fishman Democracy’s Voices. (Ithaca: Cornell University Press, 2004).

6. Richard Gunther is perhaps the scholar most often identified with this perspective even though much of his excellent scholarship actually looks well beyond the elite level.

7. See Robert M. Fishman *Working Class Organization and the Return to Democracy in Spain*, (Ithaca: Cornell University Press, 1990), for the significance of these and other factors, and for the argument that labor’s moderation cannot be attributed to an elite-driven demobilization from above.


9. I discuss this point at length and offer empirical evidence in its support in chapter four of *Working Class Organization and the Return to Democracy in Spain*.


12. Ibid.


14. This is the theme of my current research.

**PS: POLITICAL SCIENCE AND POLITICS. AMERICAN POLITICAL SCIENCE ASSOCIATION**

**Vol. XL, No.3, October 2007. Forthcoming**

Several of us gathered in 2003 at the annual meeting of the American Political Science Association to discuss the possibility to organize a group dedicated to the study of politics in Spain and Portugal. As a result of these discussions we joined together to create an Iberian Studies Related Group at the American Political Science Association (APSA). The new related group seeks to help scholars of Iberian politics to find a forum to discuss their ideas, disseminate news, and form a community of academics, both young and more established, interested in Iberian politics.

As part of our activities we organized a Short Course at the 2006 APSA annual meeting in Philadelphia to discuss ways to include Portugal and Spain into the political science curriculum. The published articles are an outgrowth of that short course. We seek to examine, from a comparative standpoint, the politics, institutions, political history and policies of the Iberian countries during the past three decades.

These are the titles:

**Mark Rush, Sebastian Royo and Kerstin Hamann:** "Editor's Introduction"

**Bonnie Field:** "Incorporating Spain into the Comparative Democratization Syllabus"

**Kerstin Hamann:** "What Can Students Learn from the Spanish Case in Comparative Politics Courses?"

**Paul Heywood:** "Corruption in Contemporary Spain"

**Candice Orbalts:** "Spanish Federalization: Engaging Students about Subnational Governance in Europe."

**Sebastian Royo:** "Lessons from the Integration of Spain and Portugal to the EU"

**Mark Rush:** "Voting Power in Federal Systems: Spain as a Case Study"
Yet, despite all these achievements the Spanish economy still faces serious competitive challenges. During the last decade Spain has accumulated intense disequilibria. While the economy continues with robust growth (3.4% in 2005 and 3.8% in 2006, more than double the rate in the Eurozone area as a whole), economic success is in shaky ground because is being driven by the construction industry and private consumption. Indeed, robust economic growth cannot mask worrying imbalances in the existing economic model in which growth is largely driven by domestic demand: strengths in consumption (domestic demand has increased at rates of 10% in 2005) and residential investment, combined with high indebtedness levels (110% of the available income), and the negative contribution of the external sector to growth (i.e. in 2005 it rested 2 points to growth). Spain’s trade deficit has widened sharply and has caused a blowout in the current account shortfall, which has reached 7.8% of GDP, the highest in the industrialized world; and the Spanish inflation rate has exceeded the Eurozone’s by an average of more than 1 percentage point each year.

Unquestionably, employment figures have been very positive. Employment grew over 3% in 2005 (0.4 more than in 2004) and the participation rate has grown from 56.3% in 2000 to 61.1% in 2004 closing the gap with the EU average-65%. Yet the temporary rate has grown from 30.8% in 2004 to 33.7% in 2005, the highest by far in Europe. And, productivity rates have been negative (declined 1.3% in 2005) and there are wide disparities in the quality of work between men and women. Moreover, Spanish labor productivity suffered the biggest fall in 2005 of all the countries in the OECD, with a drop of 1.3% (in the EU it was up 1.1%), and OECD data shows that during the 1994-2003 period Spain was placed next to last among 30 developed countries.

The European Commission reports that the EU is ‘losing the battle on competitiveness,’ and in a list of 44 indicators, including economic performance, reform, employment, and research Spain (together with Portugal, and Greece) is among the worst performing countries in the majority of the areas. According to the Global Competitiveness Index (GCI) Spain is placed 23rd in the world, and in some of the categories computed in the ranking (i.e. the quality of public institutions) Spain is performing even more poorly than in previous years. The country’s poor record on innovation is also deteriorating even further. Although Spanish scientists account for 4% of the world’s published research, the country lags behind other European countries in innovation league tables based on patent filing. Spain invests in R&D 1.05% of GDP, less than half of the EU average. At the current pace it would take 20 years to get to the EU average. Finally, Spain also shows a significant deficit in relation to the information society and the use of electronic trade.

Indeed, despite all the progress of the last two decades, Spain still has considerable ground to cover to catch up with the richer EU countries and to improve the competitiveness of its economy. However, the economic success of the last decade has fostered a sense of complacency, which has allowed for a delay in the adoption of necessary structural reforms. Given the existing income and productivity differentials with the richer EU countries, Spain has to continue and intensify the reform process.

A competitiveness agenda will have to focus on productivity growth, which is even more important in Spain than nominal wage growth. Addressing this shortcoming will demand actions to improve policy across a wide front: higher investment in infrastructure, improvements in land-use planning, efforts to increase the quality of education, rigorous promotion of competition in all areas of the economy, tax simplification, and rationalization of existing regulations. Furthermore such agenda will demand a shift from a low-cost, low-skill manufacturing base that relies on technical design and marketing skills from elsewhere, toward more capital-intensive industries that require greater skills in the labor force and rely on standard technology—e.g. chemicals, vehicles, steel and metal manufacturers, as well as a change in the existing growth model (based on relatively low production costs) in order to build a new framework based on innovation, quality, value-added, and productivity.

Small companies have to carve out market niches in the global market and develop the technical capacity for short production runs to be able to respond to shifting demand. They have to develop their own brands and distribution networks, and create their own customer bases. This will require the development of technological know-how and marketing techniques. The ultimate goal must be to increase productivity by increasing the capital intensity of production. Innovation and higher productivity will require further investment in capital technology (i.e. information systems and telecommunications), a new culture of innovation, human capital with strong skills and the flexibility to adapt to new technologies and processes (based on a model of continuous training), and a flexible and adaptable industrial relations framework.

In the end, with the world becoming “flat” (to use Thomas Friedman’s expression), the sustainability and long-term success of the Spanish economy will hinge on the country’s ability to foster a new culture that rewards individual entrepreneurship and risk-taking. Hence it needs to empower individuals and invest in people who will have the ability to develop new ideas and products that generate new demands.

This is an excerpt from Varieties of Capitalism in Spain, which will be published by Palgrave in the winter of 2007