



Citizen-Centered Approaches
to State and Market



Spain: From Dictatorship to Democracy and Poverty to Prosperity

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I. Introduction

Spain transitioned from dictatorship to parliamentary democracy without civil war, revolutionary overthrow or defeat by a foreign power, and using the very institutional mechanisms that supported Franco's regime. By the early 1980s, the autocratic, semi-rural regime had been replaced with a modern, pluralist state, and a process of economic and governance restructuring had provided the basis for a modern, urbanized, secular, cosmopolitan and ultimately European, country. Today, Spain has the world's 13th largest economy; and despite recent setbacks, its GDP per capita is roughly equivalent to those of France and Germany. It is a member of NATO and a central actor within the European Union. While many analyses of the Spanish transition focus only on the shift from dictatorship to democracy after the death of Franco, it is the consolidation of the political system and the complementary transition from poverty to prosperity within a European framework that is of importance.

II. Background

By the time of Franco's death in 1975, the autocratic institutional arrangements of his regime seemed both backward and anachronistic.¹ Prince Juan Carlos became king and Adolfo Suarez Gonzalez, the new prime minister, began slowly to implement political reform measures, which culminated in parliamentary elections, a series of pacts between political actors to define the political framework, and the new constitution in December 1978. Military threats to overthrow the new democratic government were ever-present in the first years of democracy but civilian control over the military was quickly consolidated through a comprehensive restructuring of the armed forces, facilitated by the widespread support among the population for the government, the rule of law, and civil and political freedoms.

III. State Transformation

Spain has become something of a touchstone for subsequent state, political and economic transitions for a number of reasons: it was one of the first to take place in the "third wave" of such transitions in the latter part of the 20th century; the authoritarian regime had not been forced to capitulate through military defeat or near defeat (as in Portugal or Greece) or deep economic crisis (as in the former Soviet Union); and because of the fact that the Spanish transformation was a largely nationally owned, nationally led change that was not the result of external support or pressure (as in various parts of Latin America).² Several key aspects of the Spanish transition are critical from a state-building perspective:

- i) **Generating Orderly Change.** Despite significantly divergent views and instances of political fundamentalism in Spain, the prevailing mood in the mid-1970s was one of pragmatism, moderation and continuity as much as change. Indeed, some analysts of the Spanish transition have even argued that the process was so orderly that it can be reduced to game theoretical modeling.³ Political consensus was forged through legal change that ensured "backward legitimation". This involved using existing laws to support forward-looking reforms.⁴ The mechanism employed to generate political agreement on the way forward was a series of pacts between the key political actors on economic issues. The pacts bound all political actors to the creation of a new, democratic political regime and to share the costs of and responsibility for economic reforms.

¹ Encarnación, O. *Spain After Franco: Lessons in Democratization*, p.37

² Linz, J. and Stepan, A. *Problems of Democratic Transition and Consolidation: Southern Europe, South America and Post-Communist Europe*, (Baltimore, Johns Hopkins Press, 1996) p.88

³ Ibid, p.89

⁴ Ibid, p.92

- ii) **Leadership and Visioning.** Prince Juan Carlos “El Pilota del Cambio” (the pilot of change) as he became known, demonstrated, through necessity and inclination, the ability to forge alliances and strike compromises which appeased both Republicans and Francoists. He rejected the “ruptura” or rupture with the past that the opposition demanded and instead forged a path of slow change through an “alliance-forming transition”. The Prime Minister, Adolfo Suárez, was the driving force behind the mechanics of change that transformed the dictatorship to democracy in practice. Arguing for the Law for Political Reform, he stressed the value of direct, secret and universal suffrage to ensure that political groups were given a popular mandate to act on behalf of the Spanish people. Leadership by the two key protagonists was based on closely aligned individual and political incentives- both had a genuine desire to serve the common good- and a well-designed (and adapted) process to move from a vision to a reality based on implementation.
- iii) **Constitutional Reform.** The Constitution of 1978 marked the culmination of Spain’s transition to democracy, and outlines in great detail the organization of the state and the fundamental rights and duties of individuals. Spain moved away from a highly centralized state to regionalism through 17 self-governing, autonomous, territorial communities, with the Basque country, Catalonia and Galicia implementing this process quickly, followed by the other regions.⁵ Each of the autonomous communities has self-organization through assemblies and a government with a president elected by the assemblies.⁶ Sovereignty was carefully negotiated to be seen as based in the Spanish people, as the exclusive holders of this sovereignty, rather than as being transferred from the people of the various parts of Spain, who would then transfer these rights to the Spanish state. This prevented any danger that national groups could legally secede from the country.
- iv) **Sequencing.** A well-defined process was laid out for the transition, from the referendum on the Law for Political Reform, to the statewide general election on June 15th 1977 for deputies to create the government and draft a new constitution, to the referendum to approve the new constitution on December 1st 1978. This process allowed citizens to understand the movement from one step to the next. Importantly, the general election was statewide, increasing the incentive for inclusive, Spanish approaches and encouraging parties to campaign across the country, including in the Basque region and Catalonia, in order to ensure the necessary support. Regional nationalist parties did emerge, but the discourse had shifted towards consensus and unity. These parties were sidelined by this process and the constitution was ultimately approved by 90.4% of the population in Catalonia and 68.8% in the Basque Country.⁷
- v) **Rule Through Law to Rule of Law.** Franco had declared himself accountable to God and History, not Spanish citizens, but post-1975 the rule of law became the critical nucleus around which other state functions could be developed and delivered- from security, to governance, to social services. The sequence of these laws defined the path to a balanced transition. Their communication to both decision-makers and the general population was critical in order to demonstrate a break with the previous regime, which had used laws as pronouncements of state will rather than acting as the guarantor of respect for abstract rules.⁸ The leadership emphasized consistently that change had to take place within the boundaries of the rules of the game as understood by the Spanish people. This provided the basis for predictable, transparent action and decision-making which in turn generated trust in the system.
- vi) **Legitimacy through Implementation.** The exercise of justice by the new democratic government through the prosecution, trial and imprisonment of those military figures that had

⁵ Marsden, G. “Legal System of Spain” IALS Conference, p.220

⁶ Excluding social security, the 17 regional governments now account for over 50% of public spending and employ 1.2 million administrators, in comparison to just over half a million by the central state Chislett, W. *Spain: Going Places. Economic, Political and Social Progress, 1975-2008* (Telefónica, S.A. 2008), p.45

⁷ Bonime-Blanc, A. *Spain’s Transition to Democracy: The Politics of Constitution-Making* (Boulder, CO: Westview Press, 1987)

⁸ Perez- Díaz, V. *Spain at a Crossroads- Civil Society, Politics and the Rule of Law* p. 45

been central to the Franco regime was an important part of this process. Civilian control over the military was also generated through the creation of a single defense ministry in 1977, the elimination of the Joint Chiefs and a movement towards civilian decision-making.⁹ By the mid-1980s the government had also begun a large-scale restructuring of the Spanish armed forces to ensure that the military was subordinated to law rather than law to the military. The military was significantly reduced in size and reoriented towards national defense rather than internal security, and the salaries for army administration were brought in line with those of army personnel.

- vii) **Integration into Europe.** The process of internalizing what it means to be European, comparing standards and behaviors to European norms and realizing European goals changed the political and economic discourse in Spain both at the policymaking level and among citizens in a way that has spurred reform and ensured effective use of the more tangible instruments put in place for integration into Europe. The path Spain followed into the EU was also remarkable in its orderliness and speed- the country transitioned from dictatorship to full member of the EU within 11 years. Europe became both an end-point that drove reforms, and a process which allowed those reforms to take place and ensured their complementarity. The sequencing of the process was also important to ensure inclusivity, consolidate citizenship and account for the complementarity of identities in a country with difficult nationalist issues.

IV. Market-Building

During the transition, trade unions and employer's organizations were legalized, corporatist labor legislation was removed, and a nascent welfare state was created. The Moncloa Pacts allowed for negotiated agreements between the government, business and worker associations using a gradualist approach for solutions to economic problems. Two other market-building issues were important:

- i) **Movement towards Europe.** In economic terms, Spain moved towards the EC when it became clear that a preferential trade agreement with EC countries would provide significant benefits to Spanish exports and address the imbalance between rigid export supply and increasing import demand. The Spanish government actively promoted restructuring across affected industries, reindustrialization, and the introduction of a modern fiscal and administrative system.¹⁰ Capital liberalization allowed for the progressive integration of Spain into international financial markets, generating external investment, structural reforms and fiscal harmonization.
- ii) **Nurturing a Domestic Construction Industry.** The construction industry underpinned Spanish economic growth, wealth creation and employment from the early 20th century. This is instructive because the development of a domestic construction industry was critical to Spain's ability to spend large sums of money to create and maintain first class infrastructure which have in turn provided the basis for further economic growth and integration into national and regional supply and value-chains. During the early 1980s the larger construction companies redefined their role in the production process, focusing on management and coordination rather than physical implementation- through outsourcing and specialization these companies managed to significantly reduce costs and risks. Overinvestment in the construction industry did, however, pose substantial problems in financial terms in the recent past.

V. Key Factors.

With thirty-years of retrospective, it is easy to presume, somehow, that the Spanish path was predetermined- that democracy was inevitable after Franco, and that economic growth was predestined for a country in Europe- but this was by no means the case. There was a series of critical choices that were made and factors that came together in Spain including:

⁹ Aguero, F. *Soliders, Civilians and Democracy: Post-Franco Spain in Comparative Perspective* p.7

¹⁰ Ucelay, JM. *State Reform, Economic Transformation and Growth: The Case of Spain* p.5

- i) **A Citizen-Centered Approach.** The situation in Spain immediately after the death of Franco demonstrated tensions between various national groups, the right and left, business and labor, center and periphery, military and civilians, and between political factions. The Constitution, however, was the embodiment of a bargaining process over the form, levels and functions of the state and it provided the basis for a citizen-focused compromise that brought these competing forces together and ensured a sense of collective identity and common purpose.
- ii) **Consensus Building and National Ownership.** Successive Spanish governments understood where agreement could be reached. Difficult problems were left until a point in the future at which they could be dealt with in a more permissive environment. In the constitution for example, “territorial integrity” could not be reconciled with the right to autonomy of all “nationalities and regions” but the parameters of each were vague enough that the document could be accepted by the various parties.
- iii) **Management of the Regional and International System.** Spain’s experience as a European country geographically- but seeking to become part of Europe institutionally- indicates clearly the importance of leveraging location and adopting a regional approach as part of the state-building process. There was almost unanimous agreement among the Spanish people throughout this period that the EU was their destiny, and successive governments used this enthusiasm to bolster and legitimize reform in a way that brought about rapid realization of this end goal.
- iv) **Learning Organization via Problem Solving.** In the early period after Franco’s death, there was no guarantee of an orderly transformation in Spain, given the significant problems the country faced. Key activities were sequenced, however, through progressive steps that allowed for one reform to facilitate the next in an orderly manner- with the development of a framework for labor relations and a new bill of rights then allowing for effective privatization, for example- ensuring a choreographed approach that built confidence.
- v) **Balance Between the State and the Market.** Throughout the Spanish transformation the role of the state has varied greatly- Franco’s statist institutional structures had to be reformed radically to ensure the necessary role for private enterprise, but without losing the capacity for technical process and political leadership. Economic liberalization and privatization ensured that the state moved out of the provision of non-state functions, but also put in place the rules and mechanisms that allowed the Spanish economy to prosper within the European context.

VI. Conclusion

Spain had certain relative economic advantages when it began the transition, at least by comparison with the challenges facing many developing countries. These, however, were no guarantee of successful institutional change in themselves. Institutional change resulted from deliberate design choices, and, as outlined above, a coherent understanding of several key principles. Reaction to the stasis that characterized 1936-75 generated a spectacular transformation in Spain; in subsequent decades Spain moved confidently from dictatorship to liberal democracy, and poverty to prosperity within the European Union.