

# Appendix 1 The Spanish Public Sector, 1975–95 (% GDP)

	1975	1985	1995
<i>I</i> Public spending: by economic category			
1. Non-financial spending	26.07	42.58	47.25
2. Current transfers	11.89	21.89	25.03
3. Public consumption	10.45	14.71	16.51
4. Public investment	2.72	3.71	3.66
5. Capital transfers	1.01	2.27	2.05
<i>II</i> Public spending: by functional category			
6. Social security and welfare state	16.15	24.76	27.75
social security	9.25	14.33	15.99
education, health, housing	6.90	10.43	11.76
7. Traditional public goods	4.60	6.75	6.30
8. Public enterprises	5.34	11.85	12.72
<i>III</i> Public employment			
9. Public sector ('000)	–	1789	2122
10. Public administration ('000)	995	1401	1790
11. Dependency ratio	0.60	0.93	1.09
<i>IV</i> Public revenues			
12. Taxation burden	21.35	31.14	35.34
13. Social security contributions	10.28	12.98	13.63
14. Personal taxation	4.86	10.23	12.79
15. Business taxation	10.05	11.45	12.48
16. Expenditure taxation	6.45	9.46	10.07
<i>V</i> Budgetary imbalance			
17. Public administration surplus	3.13	–1.37	2.07
18. Effective deficit	–0.35	–6.93	–2.07
19. Primary deficit	0.12	–3.49	–1.29
20. Revisions to original budget projections (%)	17.9	18.0	7.9
<i>VI</i> Debt			
21. Debt	13.23	45.08	65.91
22. Interest payments	0.47	3.44	5.37
<i>VIII</i> Regional sector			
23. Public spending	2.45	9.13	11.57
24. Public tax revenues	1.70	4.32	4.62
25. Effective deficit	–0.35	–0.64	–0.93
26. Debt	1.53	3.22	9.97

Source: V. Valle (1996) 'La Hacienda Pública de la Democracia Española', *Papeles de Economía Española*, 68, p. 3.

## Appendix 2 Financial Flows between Spain and the EU, 1986–97 (bn pesetas)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
<i>I Spanish contribution to EU:</i>	110.9	137.4	223.0	287.4	374.6	549.9	647.8	740.6	803.4	615.9	739.3	900.4
Traditional own resources	27.3	68.8	84.7	83.2	81.9	100.9	101.6	89.0	93.9	118.5	99.8	104.8
VAT	83.6	68.5	138.3	152.7	280.3	359.6	444.1	485.3	432.3	358.1	411.7	456.8
GNP resource	0.0	0.0	0.0	43.8	1.6	72.4	87.6	150.7	259.6	123.7	218.8	327.0
Others	0.0	0.1	0.0	7.7	10.8	13.0	14.4	15.6	17.5	15.7	8.9	11.7
<i>II Receipts from EU:</i>	102.5	176.3	385.0	474.8	501.0	942.1	979.3	1136.5	1155.2	1756.0	1653.3	1732.1
FEOGA-Guarantee	37.9	87.3	259.1	248.4	271.6	423.9	457.5	595.3	694.1	733.8	647.6	754.6
FEOGA-Guidance	0.0	2.8	9.6	36.4	26.6	82.1	84.6	111.7	51.8	143.4	156.8	122.0
ERDF	40.5	48.2	69.6	115.7	138.2	283.2	313.4	280.0	259.6	447.7	419.5	423.8
ESF	23.9	37.5	38.7	64.3	53.1	134.3	107.0	105.5	77.3	244.9	211.4	120.3
Cohesion funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	32.4	60.6	170.3	210.5	120.3
Others	0.2	0.2	8.1	10.1	11.5	18.6	16.8	11.5	11.8	15.9	7.5	9.3
Net receipts (II-I)	-8.4	38.9	162.0	187.4	126.4	396.2	331.5	395.9	351.8	1140.0	914.1	831.7

Source: CES (1998) España 1997, p. 201.

## Appendix 3 Spanish Regional Unemployment (%), 1998

	Men				Women				Total		
	16-19	20-24	25-54	55+	Total	16-19	20-24	25-54		55+	Total
Andalucía	47.9	36.8	19.6	17.9	22.8	67.7	55.6	36.3	20.2	40.2	29.3
Aragón	22.5	10.4	5.1	5.6	6.1	43.8	34.3	16.4	6.8	18.8	11.0
Asturias	38.6	32.5	10.6	6.2	13.1	44.0	50.0	22.6	9.6	25.3	17.8
Baleares	23.8	17.8	6.6	8.3	8.6	37.0	31.2	13.0	0.0	15.3	11.4
Canarias	45.2	22.8	10.7	4.9	12.8	55.2	42.4	19.5	7.8	23.7	17.2
Cantabria	39.0	24.3	10.7	6.5	12.7	54.8	43.0	20.7	14.7	23.8	16.6
Castilla-La Mancha	25.9	21.7	8.8	6.6	10.8	43.3	38.1	25.6	10.3	27.5	16.7
Castilla y León	36.6	21.8	8.4	5.9	9.9	58.2	49.0	27.6	8.7	29.3	17.3
Cataluña	39.3	16.1	7.0	9.2	9.4	50.1	27.3	17.6	9.8	19.5	13.6
C. Valenciana	29.4	19.3	8.7	9.1	10.7	44.8	28.9	20.4	12.5	22.3	15.3
Extremadura	56.4	36.5	19.2	15.5	22.2	68.3	57.8	38.2	27.4	41.7	29.4
Galicia	29.6	25.6	10.9	7.2	12.4	42.6	43.1	23.7	5.0	23.4	17.0
Madrid	31.6	21.4	9.6	10.9	11.6	49.1	34.5	20.7	9.0	23.0	16.3
Murcia	21.4	17.6	9.9	8.6	11.2	52.6	36.8	24.5	11.4	27.1	17.2
Navarra	10.7	13.6	4.4	2.7	5.2	36.0	42.8	15.9	10.7	19.0	10.5
País Vasco	15.7	26.1	9.2	5.7	10.6	69.3	38.8	21.5	10.1	23.5	15.9
La Rioja	5.3	11.8	5.5	6.6	6.2	70.8	23.2	17.8	0.0	18.7	10.7
Spain	36.6	24.2	10.9	9.7	13.1	53.9	39.7	23.6	10.8	26.0	18.2

Source: El País (1999) Anuario, Economía y Finanzas, p. 113.

## Appendix 4 Spain – Key Employment Indicators

<i>Total</i>	1975	1985	1990	1991	1994	1996	1997	1998
Total population (000)	35 515	38 420	38 851	38 920	39 149	39 270	39 323	39 371
Population of working age (15–64)	21 517	24 102	25 289	25 359	25 770	26 253	26 282	26 302
Total employment (000)	12 439	10 641	12 579	12 609	11 730	12 396	12 765	13 205
Annual change in employment (%)	–	1.5	3.4	0.2	–2.4	2.9	3.0	3.4
Employment rate (%)	57.8	44.1	49.7	49.7	45.5	47.2	48.6	50.2
FTE employment rate (%)	na	42.8	48.4	48.4	43.7	45.1	46.3	47.9
Self-employed (%)	21.0	22.6	20.9	20.4	22.1	21.5	20.9	20.2
Employed part-time (%)	na	5.8	4.9	4.7	6.9	8.0	8.2	8.1
Employed fixed-term (%)	na	15.6	29.8	32.2	33.7	33.6	33.6	32.9
Share of employment – agriculture (%)	22.1	16.2	12.0	10.9	9.9	8.6	8.3	7.9
Share of employment – industry (%)	38.3	31.9	33.6	33.0	30.1	29.4	29.9	30.4
Share of employment – services (%)	39.7	52.0	54.5	56.1	60.0	62.0	61.8	61.7
Activity rate (%)	60.5	56.3	59.4	59.5	60.0	60.7	61.3	61.8
Total unemployed (000)	579.5	2940.2	2435.5	2476.4	3732.0	3529.4	3357.9	3056.4
Unemployment rate (%)	4.4	21.6	16.2	16.4	24.1	22.2	20.8	18.8
Youth unemployment (% of 15–24)	na	22.0	15.3	14.2	19.4	17.2	16.1	14.6
Long-term unemployed (%)	na	12.6	8.9	8.5	12.7	11.7	10.8	9.4
15–19 in education/training (%)	na	na	na	na	78.4	80.7	80.8	na
20–24 in education/training (%)	na	na	na	na	39.7	44.6	45.0	na
<b>Men</b>								
Total population (000)	17 381	18 851	19 032	19 060	19 165	19 215	19 235	19 253
Population of working age (15–64)	10 561	11 830	12 421	12 467	12 757	12 977	13 020	12 993

## Appendix 4 (continued)

	1975	1985	1990	1991	1994	1996	1997	1998
<i>Total</i>								
Total employment (000)	8 985	7 553	8 576	8 531	7 740	8 069	8 267	8 524
Annual change in emp. (%)	-	-1.7	2.6	-0.5	-3.2	2.3	2.5	3.1
Employment rate (%)	85.1	63.8	69.0	68.4	60.7	62.2	63.5	65.6
FTE employment rate (%)	na	63.9	69.3	68.7	60.6	62.0	63.4	65.6
Self-employed (%)	23.0	24.7	23.2	22.7	24.9	24.1	23.6	22.9
Employed part-time (%)	na	2.4	1.6	1.6	2.6	3.1	3.2	3.0
Employed fixed-term (%)	na	14.4	27.8	29.3	31.4	31.9	32.4	32.1
Share of employment – agriculture (%)	22.7	17.2	12.8	11.7	11.0	9.8	9.5	9.2
Share of employment – industry (%)	42.6	38.1	41.0	40.9	38.2	37.9	38.7	39.5
Share of employment – services (%)	34.7	44.7	46.3	47.4	50.8	52.3	51.8	51.3
Activity rate (%)	89.5	80.0	78.4	78.0	75.6	75.4	75.6	76.1
Total unemployed (000)	470.3	1 906.7	1 161.8	1 197.4	1 908.7	1 721.9	1 582.1	1 362.2
Unemployment rate (%)	5.0	20.2	11.9	12.3	19.8	17.6	16.1	13.8
Youth unemployed (% of 15–24)	na	24.3	13.7	13.1	19.3	16.1	14.9	13.1
Long-term unemployed (%)	na	0.0	5.6	5.3	9.2	8.1	7.4	6.1
15–19 in education/training (%)	na	na	na	na	75.9	78.5	78.2	na
20–24 in education/training (%)	na	na	na	na	35.5	39.1	40.8	na
<b>Women</b>								
Total population (000)	18 134	19 568	19 820	19 860	19 984	20 055	20 088	20 118
Population of working age (15–64)	10 956	12 272	12 868	12 892	13 013	13 276	13 262	13 309
Total employment (000)	3 454	3 088	4 003	4 078	3 990	4 327	4 498	4 681
Annual change in employment (%)	-	-1.1	5.3	1.9	-0.7	4.2	4.0	4.1
Employment rate (%)	31.5	25.2	31.1	31.6	30.7	32.6	33.9	35.2
FTE employment rate (%)	na	22.6	28.1	28.8	27.2	28.6	29.6	30.6
Self-employed (%)	15.8	17.5	16.0	15.6	16.7	16.7	15.8	15.2

## Appendix 4 (continued)

Total	1975	1985	1990	1991	1994	1996	1997	1998
Employed part-time (%)	na	13.9	12.1	11.2	15.2	17.0	17.4	17.2
Employed fixed-term (%)	na	18.4	34.2	38.2	37.9	36.7	35.8	34.4
Share of employment – agriculture (%)	20.5	13.9	10.2	9.2	7.9	6.4	6.1	5.6
Share of employment – industry (%)	26.8	16.8	17.7	16.6	14.4	13.6	13.6	13.8
Share of employment – services (%)	52.7	69.3	72.1	74.2	77.7	79.9	80.3	80.7
Activity rate (%)	32.5	33.6	41.0	41.6	44.7	46.2	47.3	47.9
Total unemployed (000)	109.2	1033.5	1273.7	1279.0	1823.3	1807.5	1775.8	1694.2
Unemployment rate (%)	3.1	25.1	24.1	23.9	31.4	29.5	28.3	26.6
Youth unemployment (% 15–24)	na	19.7	16.8	15.4	19.5	18.3	17.3	16.2
Long-term unemployment (%)	na	16.2	14.8	14.4	18.7	17.6	16.2	14.5
15–19 in education/training (%)	na	na	na	na	80.9	83.0	83.5	na
20–24 in education/training (%)	na	na	na	na	44.1	50.2	49.3	na

Source: (CEC) Employment in Europe 1999, p. 132 (Brussels).

## Appendix 5 Structural and Cohesion Funds Receipts, 1992–99 (bn pesetas)

	1992	1993	1994	1995	1996	1997	1998	1999
Structural funds:	505	497	389	836	788	848	918	1007
ERDF	313	280	260	448	420	424	450	541
ESF	107	106	77	245	211	302	302	296
EAGGF guidance	85	112	52	143	157	122	165	170
Cohesion funds		32	61	170	211	120	166	182
Total	505	529	450	1000	999	968	1084	1189

Source: Ministerio de Economía y Hacienda (1999) *Presentación del Proyecto de Presupuestos Generales del Estado 1999*, p. 226.

## Appendix 6 European Union Macro-Structural Features: Similarity and Diversity

1998	B	D	E	F	IRL	I	L	NL	A	P	FIN	EU11
Share in GDP	3.9	33.0	8.6	22.2	1.3	18.1	0.3	5.9	3.3	1.7	1.9	100
Openness <sup>1</sup>	25.6 <sup>2</sup>	12.6	8.7	10.2	38.7	10.3	-	24.2	11.4	9.6	20.5	12.9
Interdependence <sup>3</sup>	39.3	10.2	11.5	10.9	19.6	9.2	-	29.9	19.0	19.0	9.9	13.1
GFCF <sup>4</sup>	18.2	19.5	21.1	17.1	19.3	16.8	22.7	20.0	24.1	25.7	17.5	18.8
of which public <sup>5</sup>	1.5	1.8	3.0	2.8	2.5	2.3	5.0	2.5	2.0	4.1	2.7	2.3
Wage/employee <sup>6</sup>	123	109	74	110	94	90	127	112	103	43	100	100
Productivity <sup>7</sup>	116	111	71	112	106	93	125	116	110	41	106	100
Unit labour costs <sup>8</sup>	105	98	104	99	90	98	102	97	94	105	95	100
Tax burden <sup>9</sup>	48.3	42.2	36.9	47.6	32.3	42.9	42.5	44.5	46.5	36.5	46.5	43.4



## Appendix 6 (continued)

1998	B	D	E	F	IRL	I	L	NL	A	P	FIN	EU11
Unemployment <sup>10</sup>	8.3	9.7	18.9	11.7	8.7	12.0	2.4	4.0	4.4	5.7	11.6	11.0
Employment rate <sup>11</sup>	57.3	61.8	48.6	60.1	57.8	51.3	60.6	66.7	69.9	67.5	63.9	58.0
FT equivalent <sup>12</sup>	53.0	55.7	46.3	55.4	53.7	49.8	58.1	53.0	65.0	64.6	60.7	53.6

Source: CEC (1999) European Economy, Annual Report, p. 19 (Brussels).

<sup>1</sup> Average of extra-euro area exports and imports, as percentage of GDP.

<sup>2</sup> Data for Belgium and Luxembourg.

<sup>3</sup> Average of intra-euro area goods' exports and imports, as percentage of GDP.

<sup>4</sup> Gross fixed capital formation at current prices, as percentage of GDP.

<sup>5</sup> General government, as percentage of GDP.

<sup>6</sup> Compensation per employee, in current ECU, EU 11=100.

<sup>7</sup> Nominal GDP per person employed, in current ECU, EU 11=100.

<sup>8</sup> Ratio of two preceding rows.

<sup>9</sup> Sum of direct taxes, indirect taxes and social security contributions, general government, as percentage of GDP.

<sup>10</sup> Eurostat definition: rate as percentage of civilian labour force.

<sup>11</sup> Employment as percentage of population of working age, 1997 data.

<sup>12</sup> Employment rate; full-time equivalent; 1997 data.

# Appendix 7a Regional Indicators – Economy

	<i>Economy</i>						
	<i>Per capita growth (EU 15=100)</i>			<i>Employment by sector (% of total) 1997</i>			<i>EU patents per million people</i>
	1986	1996	Av. 1994–96	Agriculture	Industry	Services	
<b>Spain</b>	<b>69.8</b>	<b>78.7</b>	<b>78.5</b>	<b>8.3</b>	<b>29.9</b>	<b>61.8</b>	<b>12.0</b>
Northwest	60.3	67.3	66.8	18.4	28.5	53.1	3.9
Galicia	55.0	63.0	62.3	22.2	27.6	50.2	2.9
Asturias	70.4	73.6	73.3	11.1	30.2	58.7	6.6
Cantabria	67.0	76.9	76.7	11.3	30.1	58.6	3.6
Northeast	84.5	91.8	91.8	6.1	36.7	57.2	14.6
País Vasco	89.5	92.3	92.5	2.7	36.9	60.4	14.9
Navarra	84.8	98.1	97.4	8.9	40.0	51.0	27.8
La Rioja	83.3	89.0	89.0	9.2	39.0	51.9	6.7
Aragón	75.9	88.9	88.7	10.1	34.2	55.8	10.3
Madrid	85.9	100.6	99.6	1.2	26.5	72.3	21.8
Centre	57.4	68.4	67.8	13.8	29.2	57.0	3.2
Castilla y León	65.0	75.9	74.6	14.0	28.4	57.6	4.2
Castilla-La Mancha	54.5	65.9	65.6	12.1	33.2	54.7	3.1
Extremadura	44.2	54.6	55.0	16.3	24.5	59.3	1.6
East	78.7	89.6	89.4	4.2	35.8	60.0	21.6
Cataluña	82.3	99.1	98.1	3.2	38.4	58.4	28.7
Valencia	70.9	73.8	74.4	6.4	33.8	59.8	13.7
Balears	90.4	97.0	98.0	2.3	24.4	73.3	5.1
South	54.8	58.7	59.0	12.1	22.3	65.6	5.3
Andalucía	52.8	57.2	57.4	12.4	21.7	65.9	3.2
Murcia	67.3	67.2	68.0	12.1	26.9	61.0	3.8
Ceuta y Melilla	63.6	72.3	71.4	0.3	6.9	92.6	–
Canarias	69.3	74.3	74.8	8.4	17.8	73.8	5.2

Source: CEC (1999) 6th Periodic Report of the Regions, p. 236 (Brussels).

## Appendix 7b Regional Indicators – Labour Market

	Unemployment rate (%)				Employment rate (% of population 15–64), 1997			
	1987	1997	Long-term, 1997	Female, 1997	Young, 1997	Total	Female	Male
<b>Spain</b>	<b>20.8</b>	<b>21.1</b>	<b>51.5</b>	<b>28.3</b>	<b>39.8</b>	<b>48.3</b>	<b>33.7</b>	<b>63.1</b>
Northwest	15.4	19.9	61.1	25.9	40.9	47.7	35.4	60.5
Galicia	13.4	19.2	58.7	24.8	37.1	49.9	38.3	61.8
Asturias	19.7	21.2	65.6	27.5	50.3	43.2	29.8	57.4
Cantabria	18.8	21.1	64.3	28.9	45.1	45.9	32.0	60.0
Northeast	18.5	16.0	54.9	23.7	34.5	52.0	36.6	67.3
País Vasco	23.2	18.8	61.2	26.0	39.4	49.7	36.5	62.9
Navarra	15.1	10.0	42.0	15.0	29.9	56.1	39.8	72.2
La Rioja	13.2	11.8	52.0	17.6	26.5	54.0	37.4	70.3
Aragón	12.7	14.4	44.5	24.4	30.0	54.0	35.0	72.7
Madrid	16.3	18.4	57.5	22.6	36.8	49.4	35.5	63.8
Centre	18.5	21.6	46.4	31.9	41.6	46.6	28.6	64.2
Castilla y León	17.6	19.9	52.5	30.3	43.8	47.7	30.1	65.0
Castilla-La Mancha	15.1	19.1	40.9	28.1	37.8	47.8	28.7	66.9
Extremadura	25.9	29.5	41.9	41.4	43.9	41.8	24.9	58.2

## Appendix 7b (continued)

	Unemployment rate (%)				Employment rate (% of population 15-64), 1997			
	1987	1997	Long-term, 1997	Female, 1997	Young, 1997	Total	Female	Male
East	20.7	18.5	51.3	24.9	35.5	53.3	39.1	67.8
Cataluña	21.8	17.4	57.7	23.5	33.3	55.3	41.6	69.0
Valencia	20.1	21.4	44.1	29.1	40.4	49.4	34.3	65.2
Balears	13.4	12.2	39.4	15.7	26.5	58.5	46.0	71.4
South	29.8	30.0	47.6	39.6	48.1	40.8	26.3	55.7
Andalucía	31.1	32.0	47.3	41.8	50.8	39.5	25.2	54.3
Murcia	21.4	18.3	46.2	26.9	28.6	48.6	33.4	64.2
Ceuta y Melilla	-	26.4	71.6	36.2	58.4	42.2	26.7	58.7
Canarias	25.5	20.9	48.9	26.3	39.0	47.6	34.5	61.1

Source: CEC (1999) 6th Periodic Report of the Regions.

## Appendix 7c Regional Indicators – Demography and Education

	<i>Demography</i>					<i>Educational attainment 25–59 year olds 1997</i>	
	<i>Population ('000) 1996</i>	<i>Population density (nos./sq. km) 1996</i>			<i>% population age</i>	<i>Low</i>	<i>Medium</i>
		<i>density (nos./sq. km) 1996</i>	<i>&lt;15</i>	<i>15–64</i>			
<b>Spain</b>	<b>39 270</b>	<b>77.8</b>	<b>16.4</b>	<b>68.2</b>	<b>15.4</b>	<b>65</b>	<b>15</b>
Northwest	4 322	95.4	14.0	67.8	18.2	67	14
Galicia	2 724	92.5	14.4	67.5	18.1	70	13
Asturias	1 071	101.4	12.8	68.3	18.9	65	15
Cantabria	527	99.4	14.7	68.1	17.1	62	16
Northeast	4 037	57.4	13.7	69.4	16.9	57	17
País Vasco	2 069	285.0	13.4	71.6	15.1	53	19
Navarra	527	50.5	14.5	68.7	16.8	59	15
La Rioja	261	51.7	14.3	67.4	18.2	64	13
Aragón	1 180	24.8	13.8	66.3	19.9	61	16
Madrid	5 016	627.4	15.8	70.4	13.7	55	17
Centre	5 279	24.6	16.0	65.2	18.8	69	13
Castilla y León	2 510	26.6	14.0	66.1	20.0	63	15
Castilla-La Mancha	1 694	21.4	17.5	64.2	18.2	74	11
Extremadura	1 075	25.8	18.5	64.8	16.8	75	10
East	10 708	177.7	15.7	68.7	15.6	65	17
Cataluña	6 066	190.0	14.9	69.0	16.0	63	17
Valencia	3 913	167.9	16.6	68.4	15.0	67	15
Balears	730	145.5	17.6	67.5	15.0	69	16
South	8 346	84.6	19.8	67.3	12.9	70	13
Andalucía	7 128	81.7	19.7	67.3	12.9	71	13
Murcia	1 084	95.8	19.7	67.2	13.1	66	15
Ceuta y Melilla	133	4296.8	23.1	65.9	11.0	61	20
Canarias	1 563	215.9	19.0	70.3	10.7	68	15

Source: CEC (1999) 6th Periodic Report of the Regions (Brussels).

## Appendix 8a Spanish and European Regional Policy, 1983–96

<i>Region</i>	<i>EU Regional policy 1986–96 (bn pesetas)</i>			<i>Spanish regional policy 1983–96 (bn pesetas)</i>		
	<i>Structural funds (bn)</i>	<i>%</i>	<i>Per capita (Spain=100)</i>	<i>Regional funds (bn)</i>	<i>%</i>	<i>Per capita (Spain=100)</i>
Andalucía	692	22.1	124	621	29.74	167
Aragón	90	2.86	94	39	1.86	60
Asturias	141	4.51	160	58	2.78	98
Baleares	24	0.76	42	13	0.60	33
Canarias	168	5.38	140	112	5.35	140
Cantabria	44	1.39	103	17	0.82	60
Castilla y León	310	9.91	151	185	8.87	134
Castilla-La Mancha	232	7.43	173	159	7.59	176
Cataluña	234	7.47	48	123	5.88	38
Extremadura	173	5.52	201	159	7.62	276
Galicia	340	10.85	154	262	12.55	176
Madrid	131	4.19	33	79	3.78	30
Murcia	89	2.86	106	56	2.66	99
Navarra	31	0.99	74	9	0.45	33
País Vasco	124	3.96	73	67	3.20	59
La Rioja	11	0.37	54	8	0.37	55
Valencia	279	8.92	90	116	5.54	56
Ceuta, Melilla	16	0.52	161	7	0.35	109
<b>Total</b>	<b>3129</b>	<b>100</b>	<b>100</b>	<b>2090</b>	<b>100</b>	<b>100</b>

Source: Correa and Manzanedo (1998).

## Appendix 8b Total Regional Funds, 1983–96

<i>Region</i>	<i>Total funds (bn pesetas)</i>	<i>%</i>	<i>Per capita (Spain=100)</i>
Andalucía	1 313	25.16	142
Aragón	129	2.46	80
Asturias	199	3.82	134
Baleares	37	0.69	39
Canarias	280	5.37	141
Cantabria	61	1.16	86
Castilla y León	495	9.50	144
Castilla-La Mancha	391	7.49	174
Cataluña	357	6.84	44
Extremadura	332	6.36	230
Galicia	602	11.53	162
Madrid	210	4.03	32
Murcia	145	2.78	104
Navarra	40	0.77	58
País Vasco	191	3.66	67
La Rioja	19	0.37	55
Valencia	395	7.57	77
Ceuta and Melilla	23	0.45	140
Total	5 219	100	100

*Source:* Correa and Manzanedo (1998).

## Appendix 9 Member States' Share of EU Operating Expenditures Relative to Their Share of EU GNP

<i>Country</i>	<i>% share of operating expenditure, 1997</i>	<i>% share of EU GDP</i>	<i>GNP at current prices per person as % of EU average, 1997</i>
Belgium	2.6	3.1	115.3
Denmark	2.2	1.9	112.5
Germany	14.2	26.0	109.4
Greece	7.7	1.5	69.0
Spain	15.8	6.6	77.7
France	17.1	17.2	104.3
Ireland	4.7	0.8	82.4
Italy	11.9	14.2	102.6
Luxembourg	0.2	0.2	176.2
Netherlands	3.5	4.5	106.0
Austria	1.9	2.6	112.6
Portugal	5.3	1.2	69.6
Finland	1.5	1.4	96.4
Sweden	1.7	2.7	93.7
UK	9.8	16.1	100.3

*Source:* Begg and Grimwade, 1998, p. 84.



## Appendix 10 GDP Growth in the Cohesion Countries, 1986–99

		EL	E	IRL	P	EU4	EU11	EU15	
Annual average % change in GDP:	1986–96	1.6	2.8	6.2	3.5	2.9	2.0	2.1	
	1986–91	2.2	4.3	5.3	5.1	4.1	2.8	3.0	
	1991–96	1.0	1.3	7.1	1.8	1.7	1.5	1.5	
Projections	1996–99	3.8	3.6	9.2	3.8	4.1	2.6	2.8	
Annual average % change in population:	1986–96	0.5	0.3	0.3	-0.1	0.3	0.4	0.4	
	1986–91	0.5	0.2	-0.1	-0.3	0.2	0.4	0.4	
	1991–96	0.4	0.4	0.6	0.1	0.4	0.4	0.4	
Projections	1996–99	0.5	0.1	0.9	0.1	0.2	0.3	0.3	
GDP per head, EU15= 100	1986	59.2	69.8	60.8	55.1	65.2	107.7	100.0	
	1987	57.4	71.5	62.5	56.7	66.3	107.4	100.0	
	1988	58.3	72.5	63.8	59.2	67.6	107.1	100.0	
	1989	59.1	73.1	66.3	59.4	68.3	106.9	100.0	
	1990	57.4	74.1	71.1	58.5	68.8	106.8	100.0	
	1991	60.1	78.7	74.7	63.8	73.1	105.5	100.0	
	1992	61.9	77.0	78.4	64.8	72.7	105.6	100.0	
	1993	64.2	78.1	82.5	67.7	74.5	105.2	100.0	
	1994	65.2	78.1	90.7	69.5	75.3	105.0	100.0	
	1995	66.4	78.6	96.8	70.1	76.3	104.8	100.0	
	1996	67.5	78.7	96.5	70.5	76.6	104.8	100.0	
	Projections	1997	69.2	77.8	96.4	70.7	76.3	104.8	100.0
	Projections	1998	68.6	78.6	102.1	70.1	77.1	104.7	100.0
Projections	1999	69.3	79.6	105.1	71.8	78.2	104.5	100.0	

Key: EL – Greece; E – Spain; IRL – Ireland; P – Portugal.

Source: CEC (1999) 6th Periodic Report of the Regions, p. 199 (Brussels).

## Appendix 11 EC Trade Liberalisation Index, 1985–93,\* (Selected Countries)

<i>Country</i>	<i>1985</i>	<i>1986</i>	<i>1987</i>	<i>1988</i>	<i>1989</i>	<i>1990</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>
Spain	1.00	5.25	7.85	10.95	19.63	24.22	35.44	51.19	60.10
Germany	1.00	1.71	2.34	3.13	4.77	7.29	8.82	14.06	14.73
Greece	1.00	2.76	4.54	6.09	7.00	9.96	13.75	21.14	23.57
Italy	1.00	2.02	2.40	4.01	5.05	6.02	10.64	20.99	23.74
Ireland	1.00	3.34	5.12	7.48	10.97	12.98	18.79	31.91	35.00
Portugal	1.00	1.00	1.41	1.83	2.85	4.49	5.86	9.84	11.41

\* The trade liberalisation index was calculated on the basis of the number of trade liberalisation measures introduced in each category under the Single Market Programme, with a weighting for each category (the three categories of trade liberalisation related to the abolition of physical, technical, and fiscal barriers).

*Source:* CEC (1997) Single Market Review, subseries VI, vol. 3, Trade, Labour and Capital Flows: the less-developed regions, p. 51.

## Appendix 12 Spain–EU Trading Relations, 1985–98 (bn pesetas)

Year	Imports		Exports		Cover rate	
	Value (bn pesetas)	% total	Value (bn pesetas)	% total	EU	Total
1985	1986	39.1	2219	54.1	111.8	80.8
1986	2607	52.7	2375	62.4	91.1	76.9
1987	3482	57.7	2768	66.0	79.5	69.6
1988	4240	60.2	3172	67.7	74.8	66.6
1989	5074	60.4	3534	68.8	69.6	61.2
1990	5602	62.8	4029	71.4	71.9	63.3
1991	6092	63.0	4549	73.1	74.7	64.4
1992	6486	63.6	4846	73.4	74.7	64.7
1993	6308	62.3	5348	69.0	84.8	76.5
1994	7915	64.1	6917	70.6	87.4	79.3
1995	9363	65.4	8265	72.3	88.3	79.8
1996	10227	66.3	9238	71.4	90.3	83.8
1997	11736	65.3	10681	70.0	91.0	85.0
1998	13290	67.0	11661	71.6	87.7	82.1

NB: Cover rate is the extent to which imports are covered by exports.

Source: CES (1999) España 1998, p. 83.

## Appendix 13 Convergence in Public Spending, 1986–97

<i>Deficit (-), surplus (+) % GDP</i>	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
B	-9.4	-7.6	-6.8	-6.2	-5.5	-6.3	-6.9	-7.1	-4.9	-3.9	-3.2	-2.1
D	-1.3	-1.9	-2.2	0.1	-2.1	-3.1	-2.6	-3.2	-2.4	-3.3	-3.4	-2.7
DK	3.4	2.4	0.6	-0.5	-1.5	-2.1	-2.1	-2.8	-2.8	-2.4	-0.7	0.7
E	-6.0	-3.1	-3.4	-3.7	-4.3	-4.5	-4.1	-7.0	-6.3	-7.3	-4.6	-2.6
EL	-12.5	-11.7	-11.9	-14.4	-16.1	-11.5	-12.8	-13.8	-10.0	-10.3	-7.5	-4.0
F	-2.7	-1.9	-1.7	-1.2	-1.6	-2.1	-3.9	-5.8	-5.8	-4.9	-4.1	-3.0
I	-11.6	-11.0	-10.7	-9.8	-11.1	-10.0	-9.6	-9.5	-9.2	-7.7	-6.7	-2.7
IRL	-10.6	-8.5	-4.5	-1.8	-2.3	-2.3	-2.5	-2.7	-1.7	-2.2	-0.4	0.9
L	4.6	2.9	-	-	5.0	1.9	0.8	-1.7	2.8	1.9	2.5	1.7
NL	-5.1	-5.9	-4.6	-4.8	-5.1	-2.9	-3.9	-3.2	-3.8	-4.0	-2.3	-1.4
A	-3.7	-4.3	-3.0	-2.8	-2.4	-3.0	-2.0	-4.2	-5.0	-5.2	-4.0	-2.5
P	-6.5	-5.6	-3.5	-2.4	-5.1	-6.0	-3.0	-6.1	-6.0	-5.7	-3.2	-2.5
FIN	3.4	1.0	4.1	6.3	5.4	-1.5	-5.9	-8.0	-6.4	-4.7	-3.3	-0.9
S	-1.2	4.2	3.5	5.4	4.2	-1.1	-7.7	-12.2	-10.3	-6.9	-3.5	-0.8
UK	-2.9	-1.4	0.7	1.0	-0.9	-2.3	-6.2	-7.9	-6.8	-5.5	-4.8	-1.9
EU	-4.3	-3.6	-3.2	-2.2	-3.5	-4.1	-5.1	-6.1	-5.4	-5.1	-4.2	-2.6

Key: B – Belgium; D – Germany; DK – Denmark; E – Spain; EL – Greece; F – France; I – Italy; IRL – Ireland; L – Luxembourg; NL – Holland; A – Austria; P – Portugal; FIN – Finland; S – Sweden; UK – United Kingdom; EU – European Union.

Source: 1986–90 EC Economic Data Pocket Book; 1991–94 Money and Finance (Eurostat), 1995; DGII, April 1998.

## Appendix 14 Convergence in Government Debt, 1986–97 (% GDP)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
B	129.1	133.2	128.9	125.7	125.7	127.5	129.0	135.2	133.5	131.3	126.9	122.2
D	41.6	42.6	43.1	41.8	43.8	41.5	44.1	48.0	50.2	58.0	60.4	61.3
DK	63.7	59.6	62.7	60.7	60.8	65.5	69.7	81.6	78.1	73.3	70.6	65.1
E	45.1	45.5	41.4	42.9	44.8	45.5	48.0	60.1	62.6	65.2	70.1	68.8
EL	54.1	60.3	65.8	69.2	90.1	92.3	98.8	111.6	109.3	110.1	111.6	108.7
F	31.4	33.6	33.7	34.4	35.5	35.8	39.8	45.3	48.5	52.7	55.7	58.0
I	86.3	90.5	92.8	95.8	98.0	101.5	108.7	119.1	124.9	124.2	124.0	121.6
IRL	114.9	116.0	112.4	102.7	96.0	95.3	92.3	96.3	89.1	82.3	72.7	66.3
L	12.4	10.9	8.8	7.2	4.7	4.2	5.1	6.1	5.7	5.9	6.6	6.7
NL	73.5	76.1	79.4	79.4	79.2	79.0	80.0	81.2	77.9	79.1	77.2	72.1
A	54.9	58.7	59.5	58.7	57.9	58.1	58.0	62.7	65.4	69.2	69.5	66.1
P	61.1	64.0	65.0	63.3	65.3	67.3	60.1	63.1	63.8	65.9	65.0	62.0
FIN	17.3	18.4	17.4	15.0	14.5	23.0	41.5	58.0	59.6	58.1	57.6	55.8
S	63.5	56.2	50.4	45.3	43.3	52.8	66.8	75.8	79.0	77.6	76.7	76.6
UK	52.0	49.5	43.9	38.2	35.5	35.6	41.8	48.5	50.5	53.9	54.7	53.4
EU	54.5	55.7	54.9	54.1	55.2	56.0	60.4	65.9	68.0	71.0	73.0	72.1

Source: CEC, Eurostat; DG II, April 1998.

## Appendix 15 Macroeconomic Indicators: Output, Employment, Productivity and Labour Costs in the EU and Spain, 1975–98

<i>European Union</i>	<i>Annual average % change</i>				
	<i>1975–85</i>	<i>1985–90</i>	<i>1990–98</i>	<i>1990–94</i>	<i>1994–98</i>
GDP	2.3	3.2	1.8	1.3	2.4
No. employed	0.1	1.4	0.0	-0.7	0.7
Av. hours worked	-	-0.3	-0.2	-0.2	-0.2
GDP/no. employed	2.1	1.8	1.8	2.0	1.7
GDP/total hours worked	-	2.0	2.0	2.1	1.9
Consumer prices	10.1	4.3	3.2	4.1	2.3
Average earnings	11.5	6.5	4.4	5.5	3.2
Average real earnings	11.5	6.5	4.4	5.5	3.2
Average real labour costs	1.4	1.6	1.0	1.4	0.8
Real unit labour costs	-1.2	-0.8	-0.9	-0.8	-1.0
<b>Spain</b>					
GDP	1.7	4.5	2.1	1.0	3.1
No. employed	-1.5	3.4	0.6	-1.7	3.0
Average hours worked	-	0.0	-0.2	-0.2	-0.1
GDP/no. employed	3.3	1.1	1.4	2.8	0.1
GDP/total hours worked	-	1.0	1.6	3.0	0.2
Consumer prices	15.3	6.5	4.1	5.3	3.0
Average earnings	17.2	8.0	5.0	7.3	2.7
Average real earnings	1.7	1.4	0.8	2.0	-0.3
Average real labour costs	2.1	0.5	0.7	1.7	-0.3
Real unit labour costs	-1.1	-0.7	-0.7	-0.4	-1.1

Source: CEC (1999) Employment in Europe, p. 143.

# *Appendix 16* Council Opinion on Spanish Stability Programme, 1998–2002

COUNCIL OPINION  
of 15 March 1999  
on the stability programme of Spain, 1998 to 2002  
(1999/C 124/01)

THE COUNCIL OF THE EUROPEAN UNION,  
Having regard to the Treaty establishing the European Community,  
Having regard to Council Regulation (EC) No 1466/97 of 7 July on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, and in particular Article 9 (1) and (2) thereof,  
Having regard to the recommendation of the Commission,  
After consulting the Economic and Financial Committee,  
HAS DELIVERED THIS OPINION:

On 15 March 1999 the Council examined the stability programme for Spain which covers the 1998–2002 period. The Council notes that the programme reaffirms the two-handed strategy adopted in the April 1997 Convergence Programme: promoting non-inflationary employment-oriented growth through budgetary consolidation and structural reform. The Council welcomes the programme's objective of turning the general government deficit into a surplus of 0.1 per cent of GDP in 2002, while the gross debt ratio is expected to decrease to 59.3 per cent of GDP. Moreover, the Council notes with satisfaction that the programme builds on the continuation of the budgetary consolidation based on expenditure containment.

The programme is built upon a macroeconomic scenario which assumes output growth to decelerate from its present high rate (3.8 per cent in 1998) towards close to trend over the period 2000–2002 (3.3 per cent on average). Although output growth in 1999 could be lower than assumed in the programme mainly due to the current international environment, the Council considers that the medium-term macroeconomic scenario appears realistic. Indeed, a continuation of the strategy adopted, based on structural reforms along with the stable monetary framework under EMU and sound budgetary consolidation, should allow the Spanish economy to develop in line with the medium-term macroeconomic scenario.

The Council welcomes the Spanish budgetary strategy which relies on the restraint of primary current expenditure, and allows for a reinforcement of government investment and for a reduction in the tax burden. Interest payments as a share of GDP are expected to decrease moderately while primary current expenditure would carry the bulk of the adjustment. The Council also welcomes the envisaged increase in government investment given the catching-up

needs of Spain. In addition, this will strengthen the compliance with the golden rule which Spain satisfies since 1997.

The underlying budgetary position of the targeted surplus of 0.1 per cent of GDP in 2002, under the central macroeconomic scenario, would provide sufficient room to prevent the deficit from breaching the 3 per cent of GDP threshold during a normal cyclical downturn and would allow for an additional safety margin in case of unforeseen developments. The Council therefore considers that the medium-term budgetary target of the Stability Programme is in conformity with the provisions of the Stability and Growth Pact. Nevertheless, the Council recalls that the long-term problem of population ageing must be addressed in the near future, and additional reforms will then be required. In this framework, the Council notes the government's commitment to take further steps with a view to greater rationalisation of the social security system.

The foreseen budgetary adjustment is to be made mainly by the State, although all the general government sectors are committed to the budgetary effort. Social security accounts are expected to be in balance in the year 2000. The territorial government accounts, in the framework of the existing internal stability pact between the regions and the State, are targeted to be in balance in the year 2001. The Council stresses that the increasing role of the territorial governments in various categories of expenditure requires the continued functioning of the present inter-governmental co-ordination mechanisms.

The Council considers that the programme is consistent with the Council Recommendation of 6 July 1998 on the Broad Guidelines of the Economic Policies of the Member States and the Community. The Council notes with approval the programme's emphasis on structural policies in the EMU context. Structural reforms have indeed played an important role in increasing the potential output of the Spanish economy, keeping a growth differential with respect to the EU area in a framework of low inflation and high employment creation. Therefore, the Council encourages the Spanish government to implement the structural measures envisaged in the programme.

*Source:* CEC (1999) *European Economy*, Supplement A, no. 3, March 1999.



# Notes

## 1 From EC to EMU: the Challenges for Spanish Convergence

- 1 Cited in Manuel Ramírez (1996) *Europa en la conciencia Española y otros estudios* (Madrid: Editorial Trotta).
- 2 Rodrigo Rato (1999) 'Balance de la política económica en España', *España 1998. Un Balance* (Madrid: Colegio de Economistas).
- 3 The Treaty of Rome was signed in 1957, setting up the European Community with six member states: Belgium, France, West Germany, Italy, Holland, Luxembourg. In 1973, three new members were admitted: Denmark, Ireland and Britain; in 1981, Greece was admitted in the second enlargement. At the beginning of 1995, three new members – Finland, Sweden and Austria – brought the total member states of the European Union to 15.
- 4 The Act of Accession was signed by Spain in June 1985, with a seven-year transition period for industrial goods, and ten years for the agricultural sector; the fishing sector was granted a 17-year transition period (the longest ever granted under any enlargement). See Elorza, 1997.
- 5 Harrison (1993) noted that it would take ten years for the most competitive sectors of Spanish farming (fresh fruit, vegetables, olive oil) to be phased into the Common Agricultural Policy. Furthermore, EC rights on the free movement of labour was not extended to Spanish workers until seven years after accession.
- 6 The Treaty on European Union, popularly referred to as the Maastricht Treaty, came into effect on 1 November 1993, and provided for deeper integration through political and economic union. It set out the commitment to economic and monetary union by 1999 for countries which fulfilled the prerequisite economic criteria, and the establishment of the European monetary institute as the forerunner to the European Central Bank (ECB); it also announced the setting up of a Cohesion Fund to help poorer countries. These commitments projected the European Community to deeper levels of political integration, and henceforth to become the European Union. The remainder of this chapter, and successive chapters will use the term European Union (EU) throughout, even though, strictly speaking, the term refers only to developments from November 1993.
- 7 The Maastricht Treaty (more formally referred to as the Treaty on European Union) was agreed at the Maastricht summit in December 1991, and adopted a three-stage plan for monetary union, basing it on the Delors Report published two years earlier (see CEC, 1989). Stage I involved the free movement of capital in the EU and closer monetary and macroeconomic cooperation between the member states. Stage II involved the establishment of the European Monetary Institute (EMI) under the European System of Central Banks to monitor and co-ordinate national monetary policies; Stage III envisaged the establishment of irrevocably fixed exchange rates and the transfer

of monetary sovereignty to the European Central Bank, which would replace the EMI.

## 2 The Europeanisation of the Spanish Economy

- 1 Between 1978 and 1990, there was actually a reduction in the relative importance of the large and medium-sized firms. In 1978, firms employing more than 500 workers accounted for 33.2 per cent of the total employed; by 1990, this proportion had fallen to 23.8 per cent. In the case of the medium-sized firms (those employing between 100 and 499 people) the percentage employed fell from 23.4 per cent to 19.7 per cent over the same period (Buesa and Molero, 1998, p. 72).
- 2 In December 1989, the Council adopted the merger regulation, which effectively provided for the prior authorisation by the European Commission of any proposed merger – where the proposed merger has a clear European dimension, the involved firms have an aggregate worldwide turnover of more than 5 billion euros and each of at least two of the firms involved has an aggregate EU-wide turnover of more than 250 million euros. Council Regulation 4064/89, 21 December 1989, OJ L 395, 30 December, 1989 (corrected version: OJ L 257, 21 September 1990).
- 3 These figures on net investment outflows are taken from data published in the Financial Indicators section, *The Economist* 7 August 1999.
- 4 CEC (1997) *The Single Market Review*, Subseries VI: Aggregate and Regional Impact, vol. 4: Employment, trade and labour costs in manufacturing, p. 144.
- 5 The process of establishing an open economy, as required by the 1985 treaty of accession to the European Community, was described by an eminent Spanish economist, Enrique Fuentes Quintana, as the culmination of the initiative which first inspired the Stabilisation Plan in 1959. However, the latter initiated only partial liberalisation and experienced difficulties in both external and internal liberalisation efforts from 1964. See Enrique Fuentes Quintana, 1995.
- 6 *El País Anuario, Economía y Finanzas* 1999, p. 99.
- 7 The Ricardian theory of comparative advantage explained that trade took place on the basis of differences in relative costs of production, due to differences in labour productivity, which made it beneficial for countries to engage in trade – even for a country with an absolute advantage, that is where it could produce all goods more cheaply than a potential trading partner, it was still beneficial and welfare-enhancing to specialise in the production of products for which it had a comparative advantage and trade the surplus for the goods which possessed a comparative advantage. Later theoretical formulations of comparative advantage based the differences in relative costs on different factor endowments, and more recently on differences in the quality of human or technological capital. The index of revealed comparative advantage (RCA) may be defined as the ratio of the trade balance to the total volume of trade – so the RCA of sector  $x$  in period  $y$  reflects the deficit or surplus of the sector as a percentage of the total trade for this category of product or service. The index is positive for sectors which exhibit a comparative advantage compared to other countries

(provided there are no serious distortions due to the existence of trade barriers), and a negative index indicates a comparative disadvantage (see Brenton *et al.*, 1997).

### 3 The Labour Market, Unemployment and Divergence

- 1 The participation rate refers to the percentage of a given group of the population of working age who decide to enter the labour force.
- 2 This section is based on data and account in Toharia (1997).
- 3 Regional development and convergence is examined in detail in Chapter 6.
- 4 F. Brouwer (1999) 'European Integration and the Development of Trade Union Strategies in Spain', *Journal of Southern Europe and the Balkans*, vol. 1, no. 1, pp. 49–63.
- 5 M. Malo and L. Toharia (1999) 'Costes de despido y Creación de Empleo en España', *España 1998. Un Balance*, pp. 308–16 (Colegio de Economistas, Madrid).
- 6 The Intergovernmental Conference which opened in Luxembourg in September 1985 discussed the proposed Single European Act and, following several months of negotiations, the Act was signed by nine of the member states in Luxembourg on 17 February 1986. The three remaining member states, Denmark, Italy and Greece, signed on 28 February. The SEA finally came into effect on 1 July 1987.
- 7 In 1991, the average rate of unemployment for the EU stood at 9.2 per cent, rising to 10.9 per cent in 1996, when there were 18 million people unemployed.

### 5 The Public Sector and European Integration

- 1 It was argued by one expert on the Spanish public sector development that the government relied on imaginative improvisation on a day-to-day basis, rather than long-term planning to meet the management needs of the growing public sector. See Valle (1996).
- 2 According to Sevilla (1997) the weight of the public sector in the economy by the 1980s was around 12 per cent, compared to the European average at that time of 15 per cent, but nonetheless much more diversified than elsewhere. It was said that Spain was the only country where the private sector made the roads, under contract to the government, and the public sector (through the state-owned SEAT) made the automobiles which travelled on them (Sevilla, 1997, p. 40).
- 3 Chapter 3 examines the features of the Spanish labour market and issues surrounding unemployment and the policies adopted by the government. Here, we are concerned with the broader implications as these relate to public sector reform.
- 4 The text of the Toledo Pact is published in the annual bulletin, *Boletín Oficial de las Cortes Generales* (1995).
- 5 The Article 143 regions (with reduced competencies and excluding education and health) included Aragón, Asturias, Baleares, Cantabria, Castilla-La Mancha, Castilla y León, Extremadura, La Rioja, Madrid, Murcia.

- 6 The indicators (with respective weightings) used to determine the distribution of funds to the regional autonomous communities to finance the decentralised responsibilities were population (59 per cent), area size (16 per cent), administrative units (24.3 per cent), relative poverty (4.2 per cent), fiscal capacity (5 per cent), and a weighting of 0.7 per cent for island regions.
- 7 The 1992 reform revised the weighting attached to each indicator, with population allocated a weighting of 64 per cent, area 16.6 per cent, administrative units 17 per cent, relative poverty 2.7 per cent, fiscal capacity 1.82 per cent, island regions 0.4 per cent, and a new dispersion indicator, with a weighting of 25 per cent. For any individual region, not all indicators would be relevant in negotiating the financial transfers to be determined.
- 8 The financing of the autonomous communities was recognised in Article 156 of the Constitution, which declared that the autonomous communities should have financial autonomy so as to develop and exercise their competencies in accordance with two key principles – co-ordination with the state exchequer and solidarity among all the Spanish people. Previous five-year financing arrangements attempted to incorporate these principles through the variety of bilateral arrangements between the state and each region, but few regions in practice had tax raising powers (except País Vasco and Navarra), and depended on transfers from the state. The size of the transfers depended essentially upon the negotiating powers of the regional authority, even with the use of the effective cost provision. The solidarity principle was implemented through the Inter-territorial Compensation Fund (Fondo de Compensación Interterritorial) which effectively redistributed funds from the richer to the poorer regions.
- 9 In view of the reform which ceded some proportion of income tax to the regional communities, this required a change to the existing legal instrument covering the financing system, the LOFCA, since it expressly excluded income tax among the taxes which could be ceded.
- 10 With a top marginal rate of tax set at 56 per cent, the tax yield in relation to GDP was still lower than that of the UK, where the top rate stood at 40 per cent. In 1998, Spain lowered the top marginal rate to 48 per cent and reduced the number of bands from eight to five.
- 11 The regional heterogeneity is expressed in many ways and at different levels – historical, cultural, economic, and linguistic. Even in terms of the financing system, three different models of decentralisation were in operation in 1999: (a) the new financing arrangement for 1997–2001 which was adopted by Argón, Asturias, Baleares, Canarias, Cantabria, Castilla y León, Cataluña, Galicia, La Rioja, Madrid, Murcia, Valencia; (b) three communities which did not adopt the new system operate under the old financing arrangements: Andalucía, Castilla-La Mancha, Extremadura; (c) the *forales*, financed under territorial system of taxation – País Vasco and Navarra.
- 12 In 1996 there were in fact three agencies dealing with privatisation, all newly created. SEPI (Sociedad Estatal de Participaciones Industriales) was created in 1995 with the disappearance of the long-standing state holding companies INI and INH, and took responsibility for the management of the profitable public industrial enterprises; the AIE (Agencia Industrial del Estado) took over the management and disposal of the loss-making enter-

prises in sectors subject to restructuring and reconversion, often the subject of public subsidy. A third agency, SEPPA (Sociedad Estatal de Participaciones Patrimoniales) was created in 1996, to manage the privatisation of enterprises that had operated under the department of state, Patrimonio (which included heritage within its area of responsibility). These three agencies were responsible for the conduct of the privatisation programme, and for deciding the form and extent of each privatisation. One of the agencies, AIE, proved to be short-lived and was disbanded in 1997, and its remaining activities were taken over by SEPI.

- 13 The European Union revenues are derived from the following sources: agricultural duties, and sugar and isoglucose levies; customs duties on goods imported from outside the EU; VAT resources – from 1999, 1 per cent of each member state's harmonised base; the 'fourth resource' based upon each member state's GNP. Together these 'own resources' form the revenue of the EU, out of which the various European Union policies are financed. See Begg and Grimwade (1998) for a detailed account of the EU's financing system.

## 6 Regional Diversity and Convergence

- 1 The city authorities of Ceuta and Melilla were granted autonomy in 1995, with the approval of the Statutes of Autonomy in March of that year. These city communities are financed partly from the budget of the Autonomous Communities, with some resources from the allocation to local and provincial entities.
- 2 This section draws heavily upon Cuadrado, Mancha and Garrido (1998), one of the most detailed and extensive studies of regional growth by leading experts in Spain.
- 3 Chapter 2 considers these changes in trade patterns and the integration of the Spanish economy in much more detail.
- 4 The discussion that follows is centred upon  $\sigma$  convergence, which measures the dispersion of the variable (here, output per capita) between the regions. The reduction of the dispersion between the highest and lowest per capita output indicates  $\sigma$  convergence. See also Chapter 1 for a more detailed discussion of approaches to convergence in the literature.
- 5 The regions included in the Objective 1 category are Andalucía, Asturias, Canarias, Cantabria, Castilla y León, Castilla-la Mancha, Ceuta and Melilla, Extremadura, Galicia, Murcia, and Valencia. Eligibility for funding under this category depends on a region having a per capita income lower than 75 per cent of the EU average.
- 6 See R. Lucas (1988); and P.M. Romer (1994); G.M. Grossman and E. Helpman (1994).
- 7 See OECD (1996) *Science and Technology Policy: Review and Outlook* (Paris).
- 8 See Castells (1995).
- 9 Appendix 5 details the transfers to Spain under the EU Structural and Cohesion Funds for the period 1992–99.

- 10 Spain was allocated 7900 million ECU from the Cohesion Fund over the period 1994–99, with Greece and Portugal each receiving 2600 million ECU, and 1300 million ECU going to Ireland. In addition, a further 26 300 million ECU under the Objective 1 category and 2200 million ECU from other European Commission initiatives resulted in total Spanish receipts of 364 000 million ECU up to 1999.
- 11 Fernández Martínez (1997) estimated a more conservative contribution by EU flows to national income, at 1.4 per cent over the period 1994–99, compared to 0.7 per cent between 1989 and 1993.
- 12 In 1998, the Structural Funds accounted for 34 per cent of the total EU budget and this proportion was expected to rise to 42 per cent by 2006 (Begg and Grimwade, 1998).
- 13 By contrast, France has a population of 58 million people, and a population density (measured as the number of people per square kilometre) of 107.3.
- 14 CEC (1997) *The Single Market Review*. Subseries VI: Aggregate and Regional Impact, vol. 1: Regional Growth and Convergence (London: Kogan Page/Earthscan).

## 7 Spain in the EU: 2000 and Beyond

- 1 Prior to this, national governments submitted convergence programmes to the European Commission, setting out the strategy for meeting the Maastricht Treaty convergence criteria. These were voluntary in nature and there was no direct legal basis for requiring their submission. As a result of the Growth and Stability Pact, national governments were legally required to submit stability and convergence programmes, showing how they plan to meet the medium-term objective required by the Pact of a budgetary position 'close to balance or in surplus'.
- 2 When presenting the Stability Plan to the Spanish Parliament in December 1998, the Economics Minister, Rodrigo Rato, suggested that Spain could attain a per capita income equal to 90 per cent of the EU average by 2006, 'if the Partido Popular was returned to government' (*El País*, 24/12/98, 'Rato prevé que el empleo crezca al 2.3 per cent hasta el 2002 y el PIB al 3.3 per cent', p. 56).
- 3 See the Single Market Review, subseries IV: Impact on Trade and Investment, vol. 2: Trade Patterns Inside the Single Market. Part 8 offers a detailed case study of Spain in the single market, the adjustments in trade and direct investment, and the implications for real convergence (CEC, 1997).
- 4 See subseries IV, vol. 1: Foreign Direct Investment, pp. 64–5.
- 5 This conclusion is made in the case study on Spain in subseries IV, vol. 2. See note 3, above.
- 6 The term innovation system is defined here to include the set of institutions whose interactions define the innovative performance of national firms. Using the interpretation put forward by Nelson (1993), the innovation system thus includes industrial firms, public laboratories, and, more broadly, 'the character and effectiveness of a nation's system of schooling, training and retraining (sic) not only determine the supply of skills from engineer to

machine tender, but also influence the attitude of workers towards technical advance'.

- 7 Social security spending includes here unemployment benefit, illness and maternity benefits, pensions, housing subsidies, accident payments, employment subsidies and any other current expenditure associated with social security.

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