



ECONOMY

LET US TALK ABOUT PANTRIES

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The pantries left behind by the Socialist Party – PSOE (1996) and the Partido Popular – PP (2004)

	PSOE-1996	PP-2004
Unemployment rate	22.8%	11.5%
Unemployment rate among women	30.4%	15.7%
Unemployment rate among youths	42.4%	22.8%
Occupancy (in millions)	12.59%	17.6
GDP per inhabitant (pct. of the EU-15 average)	78.9%	89.7%
Budget balance (pct. of GDP) (+ surplus; - deficit)	-6.6%	+0.3%
Volume of Public debt (pct. of GDP)	64.0%	51.50%
State debt rating	AA	AAA
Inflation rate	4.80%	2.20%
Interest rate on mortgages	11.15%	3.39%
Pension system	Filing for administration	Social Security Reserve Fund
Marginal personal income tax rate	56%	45%

Los indicadores del cambio. España 1996-2004 (The Indicators of Change. Spain 1996-2004). FAES

[Treasury] Minister Solbes asserted a few days ago that “in 2004, the pantry was not only empty, but the last bill hadn’t been paid.” This statement comes from somebody who will never be able to delete from his résumé the fact that, when stepping down from government in 1996, the ‘pantry’ he left behind included an unemployment rate of 22.8%, a pension system filing for administration, interest rates for mortgages at 11.15%, the budget deficit at 6.6% of GDP, Public debt at 64% of GDP, two devaluations of the domestic currency and none of the convergence criteria fulfilled. Neither will he be able to delete his deplorable economic interventionism since 2004 in episodes that have done so much to detract from Spain’s institutional credit, such as the bid to take over Endesa, the increase in tax pressure by 2 points of GDP, a 40% increase in government expenditure, the rise of the external deficit to 10% of GDP, the reduction of freedom of trade, the reduction of the purchasing power of workers’ wages, or the end of the economic convergence and the start of the economic divergence from Europe. All of these ‘achievements’ have taken place in the period since he was appointed Minister of the Treasury. But in 2004 he inherited an economy that was integrated in the euro zone, with 5 million new jobs, an inflation rate of 2.2%, a budgetary surplus, a Social Security reserve fund of over 15,000 million euros, a very low Public debt ratio, an ‘AAA’ rating for Public debt, and mortgage rates at 3.39%.

The economic ‘pantry’ of Solbes and Felipe González

“In 2004, the pantry was not only empty, but the last bill hadn’t been paid.” (Pedro Solbes, Presentation of the National Budget for 2008, 25/09/2007). This is how Pedro Solbes dared to qualify the economic legacy of the Governments of the Partido Popular (PP).

While sticking out his chest at the presentation of the National Budget for 2008, forecasting an apparent surplus that a few hours later he admitted he would not be able to meet, his precipitated assertion, aside from undervaluing the intelligence of his fellow Spaniards, who fortunately have a memory, allows us to form an idea of the moral character of the individual who in the last three and a half years has been the Minister of the Treasury.

Solbes seems to have forgotten his past. And we shall kindly help him to refresh his memory. Because, although maybe he may not wish to remember it — in the hope that it was nothing more than a nightmare —, it was he himself who was the Treasury Minister in the 1993-1996 period, when the following occurred:

- Spain underwent its only recession in the last 50 years (real GDP fell by 1%).
- The unemployment rate reached a historical high in the Spanish economy of 22.8%. Unemployment among youths reached 50%; among women, unemployment was at 35%.
- Spain did not fulfil any of the criteria required to access the euro.
- The budget deficit reached 6.6% of GDP, the highest level since Spain became a democracy.
- Public debt reached the highest level in Spain’s contemporary history in terms of GDP, 64%.
- The spread with German 10-year debt was headed towards 500 basis points.
- Spanish Public debt was rated “AA.”. That is, it was second rate.
- The peseta had to be devalued two times, accumulating four devaluations in three years, as if Spain were a Third World country.
- Inflation rose on average by over 5%.
- Interest rate on long-term Public debt was nearly 15%.
- Double digit interest rates on mortgage loans.

- Felipe González's Government left behind unpaid Public expenditure bills amounting to 700,000 million pesetas.
- The marginal rate on personal income tax was 56%.
- GDP per capita was not improving in relation to Europe.

Conversely, in 2004 Solbes received from the Partido Popular Government an economy with these features:

- Integrated in the euro.
- Five million more jobs and unemployment at half the rate that he left behind.
- Eleven more points of convergence with Europe in GDP per inhabitant.
- There was a budget surplus for the first time in Spain's democratic period.
- The Debt-to-GDP ratio was twelve and a half points lower than when he left.
- The inflation rate was 2.2%.
- Long-term interest rates on Public debt were at 4%.
- Interest rates on mortgage loans were at 3.39%.
- Spain's Public debt had an "AAA" rating, the highest possible.
- There was no spread with Germany's 10-year Public debt.
- The marginal rate on personal income tax was 45%.
- Foreign Investment in Spain had grown fourfold.

General economic indicators

INDICATOR	1996	2004	SOURCE
Gross Domestic Product (current euros, in millions)	437,787	794,146 ⁽¹⁾	National Statistics Institute, INE (Quarterly National Accounts)
GDP per capita (current euros adjusted by Purchasing Power Parity, PPP)	13,300	21,800	Bank of Spain
GDP per capita as a pct. of European average (adjusted by PPP, EU 15 = 100)	78.9	89.7	Bank of Spain
Budget balance (pct. of GDP) (+ surplus; - deficit)	-6.6%	+0.3%	Ministry of the Treasury

(PTO)

INDICATOR	1996	2004	SOURCE
Average annual growth (%) of the economy in euros (in 1988-95 and 1996-2003)	2.2	3.4	National Statistics Institute, INE (Quarterly National Accounts)
Labour productivity (thousand euros, 1995 PPP per occupied individual)	38.5	41.2	Bank of Spain
Exports of goods and services (current euros, in millions)	98,960	207,136 ⁽¹⁾	National Statistics Institute, INE (Quarterly National Accounts)
Imports of goods and services (current euros, in millions)	99,774	225,170 ⁽¹⁾	National Statistics Institute, INE (Quarterly National Accounts)
Foreign exposure index (measured as (X+M)/GDP), in pct.)	45.4	54.4 ⁽¹⁾	National Statistics Institute, INE (Quarterly National Accounts)
Foreign sector balance (current euros, in millions)	-814	-18,034 ⁽¹⁾	National Statistics Institute, INE (Quarterly National Accounts)
Foreign sector balance (pct. of GDP)	-0.18 ⁽²⁾	-2.27 ⁽³⁾	National Statistics Institute, INE (Quarterly National Accounts)
Harmonised Consumer Price Index	4.3 ⁽⁴⁾	2.2 ⁽⁵⁾	National Statistics Institute, INE (Harmonised CPI)
Core inflation (year-on-year rate)	4.8	2.2 ⁽⁵⁾	National Statistics Institute, INE (CPI)
Spread with German 10-year Public debt (basis points)	442	0	Bank of Spain
Debt of total Administration bodies (pct. of GDP)	64.0	51.5	Bank of Spain
State debt (pct. of GDP)	53.4	41.6	Bank of Spain
GDP per capita (current euros)	12,558	19,456 ⁽⁶⁾	National Statistics Institute, INE (Spanish Regional Accounts)
Household gross disposable income (million euros)	300,591	446,648 ⁽⁷⁾	National Statistics Institute, INE (Spanish Regional Accounts)
Household end consumer spending (million euros)	258,647	400,404 ⁽⁷⁾	National Statistics Institute, INE (Spanish Regional Accounts)
Household net total wealth (million million euros)	2.2 ⁽⁸⁾	4.3 ⁽⁹⁾	Ministry of the Treasury
Spanish investment abroad (million euros)	1,608	19,952 ⁽¹⁰⁾	Ministry of Industry, Tourism and Trade
Interest rate on home acquisitions (APR)	11.15	3.39 ⁽¹¹⁾	Bank of Spain

Los indicadores del cambio. España 1996-2004. (The Indicators of Change. Spain 1996-2004) FAES

(1) Annual value calculated based on Q1 2004 and the three previous quarters. (2) Data from 1995. (3) Data from 2004. (4) Data from the CPI, because the harmonised CPI was not yet used in 1997. (5) Data corresponding to March 2004. (6) Data from 2004. First estimate. (7) Data from 2002. Advanced estimate. (8) Data from 1996. (9) Data from 2003. (10) Total net Investment (registered investment in the period minus registered disinvestment in the period), according to the method applied by the Office of the Secretary of State for Trade. Data from 2003. (11) Data corresponding to March 2004.

Economic indicators of government accounts

INDICATOR	1996	2004	SOURCE
Public Administration Expenditure (on the National Accounts)	197,084	294,897	Ministry of the Treasury (National Statistics, Institute, INE)
Public Administration Income (on the National Accounts)	167,994	297,921	Ministry of the Treasury (National Statistics, Institute, INE)
Public Administration financing capacity (+) / financing needs (-)	-29,090	+3,024	Ministry of the Treasury (National Statistics, Institute, INE)

Figures in million euros. *Los indicadores del cambio. España 1996-2004* (The Indicators of Change. Spain 1996-2004). FAES

In the 2004-2007 period, Solbes got up on the economic bicycle and started covering meters thanks to the strong inherited inertia. During these four years, not only has he not pedalled in order to implement reforms that would improve and ensure economic growth, but he is also jointly liable for such misguided economic measures as the following:

- Increase of taxes by nothing less than 2 points of GDP.
- Increase of Public expenditure by nearly 40% in the 2004-2008 period.
- Loss of EC funds totalling 40,000 million euros in the 2007-2013 period, 90% of Spain's net balance with Europe.
- Curbing of liberty in retail opening hours.
- Blatant interventionism in the bid to take over Endesa, with deplorable episodes that we have all seen which have brought discredit on the Spanish Securities and Exchange Commission (CNMV), the National Energy Commission and the National Antitrust Commission (CNC).

Some of Solbes' 'achievements' in his new spell as Treasury Minister are:

- He has achieved lower purchasing power for wages in the 2004-2007 period.
- He has transformed convergence with Europe in GDP per capita into a real divergence.
- The average inflation rate has risen by over one point.
- Spain's external deficit has risen to 10% of GDP, the highest in its history and the second highest in the world.

The labour pantry

Solbes managed to assure himself a place in history as the Treasury Minister with the dubious honour of having achieved the highest unemployment rate ever (22.8%), in his day five of every ten youths were unable to find a job, one out of every three women could find nothing but unemployment, and two million workers were in despair as long-term unemployed.

In 2004, Solbes received from the PP a very different pantry: five million new jobs, half the former unemployment rate, unemployment among youths had declined by 50%, women massively joined the ranks of the labour market, and long-term unemployment was reduced to one third of that existing eight years earlier.

Employment indicators

INDICATOR	1996	2004	SOURCE
Labour force (thousands of individuals)	16,300.4	19,887.5	National Statistics Institute INE (Labour Force Survey – EPA)
Labour force activity rate (pct. of population 16 and over)	51.0	55.9	National Statistics Institute INE (Labour Force Survey – EPA)
Active women (thousands of individuals)	6,229.8	8,125.9	National Statistics Institute INE (Labour Force Survey – EPA)
Occupancy (thousands of individuals)	12,590.0	17,600.4	National Statistics Institute INE (Labour Force Survey – EPA)
Number of occupied individuals Per household	1.29	1.56	National Statistics Institute INE (Labour Force Survey – EPA)
Wage-earners with permanent contracts (thousands of individuals)	6,227.9	9,828.0	National Statistics Institute INE (Labour Force Survey – EPA)
Occupancy among women (thousands of individuals)	4,335.2	6,847.4	National Statistics Institute INE (Labour Force Survey – EPA)
Occupancy among youths (25 and younger) (thousands of individuals)	1,508.4	1,831.2	National Statistics Institute INE (Labour Force Survey – EPA)
Unemployed (thousands of individuals)	3,710.4	2,287.2	National Statistics Institute INE (Labour Force Survey – EPA)
Long-term unemployed (over one year) (thousands of individuals)	2,082.4	814.2	National Statistics Institute INE (Labour Force Survey – EPA)
Unemployed women (thousands of individuals)	1,894.6	1,278.5	National Statistics Institute INE (Labour Force Survey – EPA)
Unemployment rate (pct. of labour force)	22.8	11.5	National Statistics Institute INE (Labour Force Survey – EPA)
Unemployment rate among youths (pct. of labour force)	42.4	22.8	National Statistics Institute INE (Labour Force Survey – EPA)
Unemployment rate among women (pct. of labour force)	30.4	15.7	National Statistics Institute INE (Labour Force Survey – EPA)
Non-permanent employment ratio (pct. of wage-earners)	34.6	31.6	National Statistics Institute INE (Labour Force Survey – EPA)
Wage-earning youths (up to 25) with a permanent contract (thousands)	305.0	589.3	National Statistics Institute INE (Labour Force Survey – EPA)
Wage-earning women with a permanent contract (thousands)	2,070.1	3,831.6	National Statistics Institute INE (Labour Force Survey – EPA)
Number of self-employed workers (thousands)	2,296.7	2,805.6 ⁽¹⁾	Ministry for Work and Social Affairs – MTAS
Workdays lost due to strikes (thousands)	1,442.9	789.0 ⁽²⁾	Ministry for Work and Social Affairs – MTAS

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(1) Data from March 2004. (2) Data from 2003.

The social pantry

On the social front, Solbes also proved his ‘ability’. He left the pension system filing for administration. Aznar’s government had to take out a loan from private banks in December 1996 because there was not enough money to pay the pensioners. Many Spaniards may remember that in 1995 Solbes himself encouraged people to establish individual pension plans in light of the impending administration situation of the public pensions system.

With Solbes, the number of affiliates in the system was just over twelve million Spaniards and a quarter million foreigners, and the average widow's pension was 45,000 pesetas (270 euros).

In 2004, the Social Security system had a substantial surplus and it had a Reserve Fund with over fifteen thousand million euros. The affiliates in the system totalled nearly seventeen million Spaniards and over one million foreigners, and the average widow's pension had been multiplied by 1.5.

Social indicators

INDICATOR	1996	2004	SOURCE
Number of affiliates in the Social Security system	12,300,791 ⁽⁴⁾	16,894,920	Ministry for Work and Social Affairs
Number of affiliates in the Special Regime for Self-employed Workers	2,296,662	2,805,614	Ministry for Work and Social Affairs
Number of foreign affiliates in the Social Security system	262,771 ⁽²⁾	1,002,039	Ministry for Work and Social Affairs
Sum in the Social Security Reserve Fund (million euros)	0	15,182.04 ⁽³⁾	Ministry for Work and Social Affairs
Number of contributing pensions ⁽⁴⁾	7,039,678	7,856,175	Ministry for Work and Social Affairs
Number of non-contributing pensions ⁽⁵⁾	335,817	489,347	Ministry for Work and Social Affairs
Expenditure on contributing pensions (million euros)	40,367.31 ⁽⁵⁾	64,307.00	Ministry for Work and Social Affairs
Social Security contribution collections (million euros)	41,953.9	73,017.34 ⁽⁶⁾	Ministry for Work and Social Affairs
Contributor-to-pensioner ratio	2.06	2.39 ⁽⁷⁾	Ministry for Work and Social Affairs
Average monthly pension	382.03	573.66	Ministry for Work and Social Affairs
Average monthly widow's pension	272.85	430.74	Ministry for Work and Social Affairs
Average monthly retirement pension	443.26	645.46	Ministry for Work and Social Affairs
No. of pensions amounting to less than the minimum wage (pct. over total pensions)	5,010,014 ⁽⁸⁾ (71.17)	4,391,995 (56.09)	Ministry for Work and Social Affairs
Social Security system balance (pct. of GDP)	-0.72	+0.54 ⁽⁹⁾	Ministry for Work and Social Affairs
Number of early retirements	96,741	49,186 ⁽¹⁰⁾	Ministry for Work and Social Affairs

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(1) The affiliates in the Social Security system in March 1996 numbered 12,342,339. The figure for 2004 corresponds to the month of March, as do the figures for self-employed workers and foreigners. (2) The figure shown is the first one available on foreign affiliates to the Social Security system, corresponding to a 31/12/98. (3) The figure corresponds to the last contribution made prior to 15 March 2004 (4) Contributing pensions as at March 1996 totalled 7,059,723. The figure for 2004 corresponds to the month of March, the same as the figure on average pensions. (5) Non-contributing pensions as at March 1996 totalled 360,956. The figure for 2004 corresponds to the month of March and it includes non-contributing pensions in the Basque Country and Navarre. (6) The figure corresponds to 1996. The figure for 2004 was taken from the National Budget forecasts for 2004 (7) Figure from year-end 2003. (8) Cumulative figure as at December 2004. The figure on the initial budget for 2004 was € 68,509.99 million. (9) Budget for 2003. The surplus in 2002 amounted to 0.93%. The forecast surplus for 2004 was 0.4% of GDP (10) Cumulative figure as at December 2003. The figure for 2002 amounts to 52,953. As from 1996, 15 social agreements in the fields of labour and welfare have been entered into with the major trade unions and employer organisations.

Healthcare indicators

INDICATOR	1996	2004	SOURCE
Pct. of the population that rates the National Healthcare System as 'good' or 'quite good'	60.8	66.8	Ministry of Health and Consumer Affairs – MSC
Average expenditure on healthcare per individual in the system (euros)	533	954	Ministry of the Treasury
Healthcare Centres ⁽²⁾	1,707	2,889	Health Information Institute (MSC)
Computerised Axial Tomography (CAT) apparatuses	354	531	Health Information Institute (MSC)
Magnetic Nuclear Resonance apparatuses	108	256	Health Information Institute (MSC)
Funds for biomedical research ⁽³⁾ (million euros)	50	221	Official Spanish Gazette (National Budget)
Medical research thematic networks	0	69 networks 290 institutions	MSC / Farmaindustria Foundation
Organ donors per million inhabitants	27	33.8 ⁽⁴⁾	MSC / National Transplants Organisation
Number of organ transplants	2,845	3,688	MSC / National Transplants Organisation

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(1) Data from 2002. (2) in the Basque Country and Galicia the following are Primary Assistance Centres: Health Centres and Consulting Rooms. (3) National Cardiovascular Research Centre (CNIC), 40 million euros; National Oncology Research Centre (CNIO), 36.5 million euros; Genome Foundation, 8.4 million euros. (4) Year-on-year figure as at 01/09/03.

Conclusions

A few indicators, those that are closely linked to the sphere of the economy, are enough to show, as clear as a sunny day, the falsity of the assertions of the man who today again, just as in the 1993-1996 period, is the Minister of the Treasury.

Felipe González, the President of that Government, recently asserted (*El País*, 27/09/2007): “Budget balances are not something pertaining to the left or to the right — they are a mark of good Government.” Although with a delay of many years, it is good that Mr. González acknowledges that, with a budget deficit of 6.6% of GDP, which he left behind in 1996, his was not a poor Government in economic terms, but an appalling Government. If according to his own criteria, González considers himself an appalling President in the sphere of the economy, the main person who is jointly liable is the man who was then his Treasury Minister — Pedro Solbes.