

## Indicative planning in Spain (1964-1975)

### 1. Introduction

The practice of planning or government intervention dates back to the first planning attempts and introduction of the planning organism in the 1920 in the Soviet Union, and consequently putting into practice the first-five year development plan (DP). The “Plan Monnet” in France is considered the pioneer in introducing the concept and proper practice of the indicative planning (IP), with the purpose of reconstructing the economy damaged by II World War (Balassa, 1965). The rationale of the economic planning was not only to anticipate and describe the developments of the French economy, but also to guide it to the attainment of the selected objectives (Alterman, 2001).

After 1939, Spanish economic policy attempted to achieve economic self-sufficiency. This policy, largely imposed by Spain's position during World War II and the isolation to which Spain was subjected in the decade following 1945, was also favoured by Spanish political and business leaders. In 1959, following two decades of little or not overall growth, the Spanish government, acceding to reforms suggested by the International Monetary Fund (IMF), OECD, and BIRD and encouraged by the promise of foreign financial assistance, announced its acceptance of the Stabilization Plan, intended to curb domestic inflation and adverse foreign payment balances (Blakanoff, 1976).

Inspired by the successfulness of French DP and its outstanding results achieved, Spain introduced the practice of IP similar to those of France with the objective to raise the living standards of the Spanish people, encourage personal development and favour freedom and dignity of the person; and achieve a better distribution of the personal, sectorial and regional income as economic target (Meade, 1970). The planning was viewed by Spanish economists as an important and indispensable instrument to help Spain to go deeper into the line of internal economic liberalization, and allow greater integration on the European and international scale.

In 1962 a new department was created within the Office for Economic Coordination and Planning, the *Commissariat for the Development Plan*, which implemented three DP from 1964 to 1975. The DP have contributed in the evolution of the Spanish economy, allowed social transformations, increased rationality of the economic policy while establishing development objectives. At the same time the plans were not capable of restraining the inflationary tensions, neither correcting serious regional imbalances, leading to the disordered urban growth and worsening the environment. Among the negative effects of the planning on the economy were the rigidity of the labour market, including low wages and concealed unemployment, as well as the increased dependency of the Spanish economy on the foreign financing, including remittance of emigrants, tourism and foreign capital.

Long-range planning began with Spain's first DP (1964-67), providing a total investment of \$ 355 billion (Wrase, 1990). The second plan (1968-71) called for an investment of \$ 553 billion, with an average annual growth of 5.5% in GNP. The third plan (1972-75) called for investments of \$ 871 billion; drastic readjustments had to be made in 1975 to compensate for an economic slump brought on by increased petroleum costs, a tourist slowdown, and a surge in imports. A fourth plan (1976-79) focused on development of energy resources, with investments to increase annually by 9%.

### 2. Historical antecedents of planning in Spain

This section will expose in concise form the diverse approaches, planning experiences and attempts that have taken place in Spain before the introduction of the DP in 1964. It describes the first antecedents of IP in the XVI-XVIII century and the antecedents in the XX century. Carrying out an investigation of the economic historiography of Spain before XX century there is little evidence of studies dedicated towards the analysis of the planning process that can be found in publications, speeches, and projects of the Spanish authors. Regardless of the limitation of qualified data there are several authors to be mentioned, including Miguel Alvarez Ossorio (1686), Bernardo Ward (1762), Pablo Olavide (1766), Gaspar Jovellanos (1795), and Francisco Cabarrus (1795), in whose works and publications appear the first allusions, though comparatively negligible, of introducing DP in Spain.

Miguel Alvarez Ossorio in his two petitions to Carlos II (both in 1686) proposes the implementation of DP as an effective method of resolving the problems that the economy of Spain was facing in the second half of the XVII century. Ossorio underlined that in the first place problems should be identified and analysed, than objectives and goals defined, and finally a series of action instruments should be established to make possible the attainment of the proposed goals.

Bernardo Ward in his *Proyecto económico* (1762) devise the global development for the Spanish economy, emphasizing that the final point of the development is to achieve public happiness on the basis of increased wealth of a country through realizing the fundamental objective: deploying all the capacity of the trade and extending to the maximum exports to the American colonies. In order to achieve this objective it is crucial to develop a set of secondary objects and action instruments, as well as establishing a central organization for controlling and supervising the realization of the projected goals. Ward emphasized that the process of trade liberalization and development of the productive forces can be achieved through assimilation of European techniques and methods of production.

Pablo Olavide, Gaspar Jovellanos and Francisco de Cabarrus can be hardly considered as antecedents of DP; however it is worth mentioning that they developed a program of reforms for the agrarian sector, establishing clear objectives and socio-economic measures for achieving those, contemplating agriculture as the core for the global development of Spain.

At the beginning of the XX century, Pascual Carrion explicitly demonstrated the importance of IP. In two publications on “*latifundios*” and “*reforma agraria*” (1931) Carrion depicts the problems of Spanish agricultural sector, accentuating the large estates and concluding that there is a necessity of carrying out numerous reforms, which, “if realized successfully, will strengthen the Republic, elevate the economic and cultural level of the farmers and make possible the deep transformation of the property, production and socio-economic regime tending towards the universal equality”. Moreover Carrion affirms that “one of the principal tasks of the rising Spanish Republic is to coordinate different branches of the national production, ensuring that the development is harmonic. And in order to obtain this objective it is precise to pay attention to the base of all production, which in case of Spain is agriculture. However not only producing more can contribute to the increase in wealth, but also assuring that these products are sold properly, that is to say, impelling the industries and the trade. It is essential to synchronize the efforts of farmers, industrialists, retailers and bankers” (Paniagua, 1975). Carrión elaborates a program of reforms, where, once the objectives are defined, a series of measures are determined to achieve those, which are divided in “fundamentals” (the access to the land) and “indirect” (the fiscal system, national budget, industry, etc.), and finally establishing the plan for financing the project (Fuentes, 1964).

In 1939 appears the first work that explicitly develops a global DP for Spain presented by *FET y JONS*, that without a doubt was carrying out imperative elements to be considered an important precedent of the Spanish IP: the work proposed partial plans for all sectors of the national economy and specified that “all the regions, provinces, and cities have to act in response to the programs defined by the State”, which laid the base for the further creation of the Development Poles (“Polos de desarrollo”) and the Poles of Industrial Promotion (“Polos de promoción industrial”) during the practice of the IP (Almodóvar; Cardoso, 2005). The work specifically underlined that “no national Plan will have true sense unless enumerated plans are considered simultaneously and harmonically and are integrated in a set oriented to the national program.” The primary objectives of the Plan were “material arrangement of Spain” and “equipping Spain with a structural organization of perfect operation.” The work specified the organizations that will be responsible for preparation, projection and execution of the Plan and stated clearly the functions that correspond to them.

In 1953, Manuel de Torres, one of the most outstanding Spanish economists, retook the idea of planning in a tract: *La coordinación de la política económica en España*. Torres describes the problems and inefficiency of the Spanish economy and finds the cause of it in the inaptness of middle-term aims and the inconsistency between those, emphasizing the necessity of a better coordination between the objectives of the economic policy and the measures of action taken, stressing the need for the proper practice of rationalized planning for the Spanish economy. Torres advocates the creation of a central organism of planning and coordination, following the model of the Dutch Central Planning

Bureau, an organism of technical character, with primarily purpose of contributing to the general preparation of the economic policy: “drawing up of annual macro-economic previsions that would reduce uncertainty in the formulation of economic policy decisions and increasing the efficiency and coherence of the measures of action that were defined” (Ramos; Pires, 2009), instead of designing detailed projects, planning or fixing objectives. In 1957 Torres shaped the Office of Economic Planning and Coordination, which will be later on absorbed by Planning Commission.

Inspired by the idea of coordination of the economic policy in 1954 the Institute of Political Studies, under the initiative of Valentín Andrés Álvarez, took the responsibility of elaborating Input-Output Table, in order to have a global vision of the national economy and macro-economic description of the interrelationships in the system and which would serve as an instrument for Spanish economy planning in the sixties. The team in charge of the first Input-Output table was formed of Gloria Begu, Fernández Castañeda y Santos Blanco, with the further collaboration of Manuel de Torres.

In the preface of Input-Output Table 1954, Manuel de Torres identified the crucial problem of the production bottlenecks in the industrial sectors, precisely the amplified necessity of imports of the minerals and raw materials due to the prompt development of chemical, mechanical, electrical and textile industries. Torres demonstrates the foreign dependency of the Spanish economy and votes against autarky and in favour of opening the economy. Using the data from Input-Output tables Torres considered that the promotion of exports can be more efficient than the substitution of imports, classifying economic sectors as “exporters” and “importers”, calculating sectorial productivity by means of the quotient between value added and total output; building a performance scale for each sector.

In 1958 a new work team was created under the direction of Torres with an aim of carrying out the applications from Input-Output Table 1954, as well as projections for the years 1955-1957. The new table “had greater detail, far more delineation (212 sectors instead of 32), and was supported by better statistical sources than that of 1954. In the 1960s, two more tables would be drawn up (one for the year 1962 and another for 1966)” (Ramos; Pires, 2009).

Following the idea of the convenience of planning the economic development and accepting the “necessity of a coordinated policy”, demonstrated by Manuel de Torres, the Institute of Hispanic Culture in 1956 takes the responsibility to elaborate the guidelines for a possible long term DP (composed of three five-year plans) in the work *Estudios Hispánicos de desarrollo económico*, which is considered to be the closest and the most relevant antecedent of the IP in Spain in the sixties.

Primarily the work emphasizes the goal of intensifying the Latin-American interchanges that can be achieved by accelerating a sufficient degree of the economic development in Spain: “increasing drastically the capacity of production, not only to stimulate the stable internal growth, but also to reach a greater volume of exports. However these objectives could never be obtained without IP and harmonious growth of the different sectors of production. It is crucial to adopt planning techniques in a way that would increase the production in order to elevate the standard of living and welfare state of the population” (Paniagua, 1975).

In the section *Exposición preliminar* various foreign experiences of IP are analysed, including Plan Monnet in France, Plan C.E.P.A.L. in Colombia, and Plan Vanoni in Italy, commending to apply foreign experiences where possible (Hatem, 1992). The same section examines the current perspectives for the development of the Spanish economy, defining the most feasible area of growth and desired National Product, as well as estimating the provisional capital-product ratio.

Summarizing, they present a true plan of long term development, in elaboration of which used methods and techniques of IP, pushing forward the key aim of integrating Spanish economy with the world economy.

### 3. Stabilization Plan (1959) and World Bank Report (1962)

Indisputably the Spanish Stabilization plan of 1959 was the first step towards introducing the proper practice of IP and was in a way a guarantee for successful elaboration of the DP. The Stabilization and Liberalization Plan was put into practice in 1959 as a complete economic reorientation policy

in order to prevent the collapse of the economy, which was characterized by financial instability, balance of payments difficulties, growing inflation, external debts; and carried two primarily objectives: the restoration of the financial stability and restraining inflation, as well as liberalizing foreign trade and encouraging inward investment. However many economists argue that the real purpose of the plan was “a continuation of the development process along with the greater integration into the international economy, starting with Europe” (Harrison, 1985). Under the direction of Joan Sardá, a group of economists together with the foreign technicians from IMF and OECD, elaborated a set of macroeconomic policies and actions aimed at restoring and expanding the economy.

The 1959 Stabilization and Liberalization Plan was a genuine success and marked the beginning of a “Golden Age” in the Spanish economy, characterized by rapid economic growth, the country entered rapidly into a process of economic liberalization and international market integration, creating possibilities for future economic growth, as well as ended the period of autarky in Spain. The success of the plan increased “the prestige and social recognition of the Spanish economists as professionals capable of playing an important role in the orientation of public concerns became established. It was considered a fundamental asset for the drawing up of a “desired” development plan”.

The World Bank report of 1962 on the economic development of Spain is widely considered to be the fundamental support for the adoption of IP practice in Spain in the beginning of sixties (Rojo, 1963). In 1961 under the request of the Spanish tax Minister, Navarro Rubio, the International Bank for reconstruction and development, dispatched a mission to Spain, directed by Sir Hugh Ellis-Rees. The purpose of the mission was to conduct a global research of the economic conditions of Spain as well as possible future prospects for development, and “assist Spanish Administration in the preparation of a long-term development programme designed to expand and modernize the Spanish economy and thereby rise the standard of living of Spanish people while, at the same time, maintaining financial stability” (Harrison, 1985). The scope of the study included exhaustive analysis of the various sectors of the economy, including infrastructure, agriculture, transportation, etc., summarizing existing problems and recommending the right course of action for solving those.

By 1962 an extensive detailed report, with the focus on planning combined with effective monetary and fiscal policy, was presented with noteworthy conclusions. In the first place the report stressed out the need for the discouragement of the restrictive practices, impelling a high rate of growth, maintaining the economic stability, obtaining an optimal use of savings, stimulation of the competition, and undoubtedly the progressive exposure of the Spanish economy to foreign competition. Also the report exposed the economic and social development differences between the Spanish provinces, accentuating on the urgent need of restoring the equal development of all regions. In the third place it affirmed favourable growth possibilities (forecasted 5 % of economic growth in the next decade) for the Spanish economy, insisting that “currently, the most appropriate kind of planning for Spain is that of “indicative planning”, but “the government must not try to plan each and every one of the aspects of national life” (Estrin; Holmes, 1990). The report represented the crucial support for elaboration and implementation of the first DP. Fabián Estapé (1963) in the critical essay on this Report stated that it confirmed the outstanding possibilities for the economic growth without the necessity of substantially modifying the structure of the system through profound institutional reforms and without losing monetary stability”. The conclusions of the report were extremely appealing and played an exceptionally important role in the final decision of introducing IP in Spain.

Again, OECD’s 1964 Economic Survey of Spain examined output and demand, the internal financial situation, external transactions, and the DP 1964-1967 and drew a series of conclusions.

#### 4. The rationale for adopting the Development Plan in Spain

France historically has always served as an example and important source of ideas and innovations, as well as organizational and performance models for Spain. Taking into consideration the success of the “Plan Monnet” in France, its international acceptance together with the noteworthy results achieved after the introduction of the IP, including stable, rapid rate of economic growth, sustained inflation, and rapid incorporation in the Common Market, for Spain it seemed logical to imitate the

established, fully developed and systemized scheme of DP, and adjust it for the Spanish economy. As underline Ramos and Pires (2009) “the adoption of planning approaches similar to those that dominated at that time on the European stage was a way to seek the comparison of the country to its neighbours with regard to economic organization”.

First and foremost the elaboration of a Program of Development of the Spanish economy took place under very specific circumstances. Primarily, the experience of the years prior to the introduction of the DP have shown clearly the necessity to prolong the operation of monetary stabilization, introduced in July 1959, by means of a systematic policy development. In that case DP was considered a logical continuation of the Stabilization Plan. And secondary, the decision to ask for the association to the Common Market required the establishment of the proper mechanisms so that the Spanish economy could confront the negative effects of the integration process and use thorough the opportunities of expansion that the European market offers (Marchal, 1965). As exposed in the article *Esperanzas y problemas de la Planificación Española* (ICE, 1962): “We cannot, in any case, pay for integration to Europe at the cost of the stagnation of the economy; on the contrary, integration has to contribute to its growth. Without an effective policy of internal development carefully elaborated and accurately executed, the negative effects of integration on the Spanish economy would be disastrous, being able to take to a situation of a true economic sluggishness”.

The official objective of the DP pursued as social target was to raise the living standards of the Spanish people, to encourage personal development and favour freedom and dignity of the person; and to achieve a better distribution of the personal, sectorial and regional income as economic target. However for the purpose of the present study it is precise to investigate for what DP were supposed to serve and which primary aims it was meant to achieve by introducing the proper practice of IP.

In the first place it was believed that IP would discipline and rationalize the public sector, improve the coordination and efficiency of the economic policy actions, and specify the structural and institutional obstacles to the development of the Spanish economy. “The plan had to be founded on a kind of large-scale market study for the entire economy, one in which all the sectorial interdependence effects were gathered, and with that information, it could be considered some realistic objectives, coherent amongst themselves, which would contribute to accelerating economic development, respecting the essential macro-economic balances” (Ramos; Pires, 2009). Furthermore, IP would improve the information available to the private sector. The private sector will have at its disposal reliable information about the evolution of the demand, projected for the long-term period. This information would reduce uncertainty in decision-making and will have a great importance for the companies that try to make large scale investments and with a long period of maturation, since they would be capable to devise their particular investment forecasts with greater knowledge of the sectorial situation and from the general economic tendencies defined for the coming years.

Also IP was supposed to motivate and direct the private sector in specific directions, as well as to incite the advances in production quality and quantity, together with the modernization of the equipment. DP would serve as an instrument for the anticipation and avoiding economic disequilibrium. The establishment of the accurate projections of imports was fundamental for the Spanish economic development and gives a precise idea of expansion efforts of the exports imposed by a certain rate of internal growth. Another basic projection was the forecast of income and expenses of the Public Sector, as the maintenance of the balance between two variables directly depends on the monetary equilibrium of the system (Comín, 1996). But also the study of the forecasts and perspectives by each sector can serve to avoid economic bottlenecks, as well as capacity excesses in various sectors.

The major task of planning was to introduce order, coherence, and economic rationality in the heavy investment expenditure of the Public Sector and national companies. The investment program had inclination towards investments with long period of maturation and development of strategic or “key” sectors, including heavy industry, energy, roads, and capital goods. Also planning would serve as indispensable instrument for a more reasonable distribution of income, together with social improvements, including education, welfare services, housing. Special attention was devoted to the territorial re-stabilization and “it was expected that the development would naturally accentuate territorial differences, tending to concentrate the population in specific geographical areas and to accentuate

rural exodus. All in all, specific measures were resorted to that in some way counteracted said tendencies, such as the famous “promotion and development poles” would later be”.

##### 5. The critical reception of the Development Plan by economists

The practice of the IP prior to its introduction in 1964 received for the most part positive evaluations and reviews from the Spanish as well as foreign economists. Very few economists expressed concern or direct critics about dangers and difficulties of the DP to be initiated. In fact it was viewed as an important, or even one would say, indispensable instrument to help Spain to go deeper into the line of internal economic liberalization, and allow greater integration on the European and international scale. Economists as Prados Arrarte, Juan Echevarría, Ramón Tamames, expressed forcefully the importance of introducing IP and the favourable results that can be achieved in the course of it.

Prados Arrarte (1965) viewed the DP as an important step towards strong and stable economic policy, explaining that the imperfections in the plan occur due to the lack of experience in this type of planning together with the scarce data available. Juan Echevarría (1964) gave positive evaluation to the DP, concentrating on the weaknesses of plan that can possibly harm the future economic growth: sufficient lack of agrarian policy and social aspects of the development, “granted favourable treatment to the capital factor at the cost of labour, since to it all the incentives, advantages and exemptions were directed, as well as the breach between the investment forecasts and savings derived from a great dependence on high, sustained indexes of foreign investment, taking into consideration the poor exporting behaviour that the Spanish economy in the preceding years, which did not invite hope of great improvements in this area”.

Ramón Tamames (1964) praised IP, believing that it would mark “a fundamental milestone in the economic history”. Juan Echevarría underlined the main drawbacks of planning, including lack of social participation in the elaboration of DP, little attention devoted to education, inadequate role of foreign capital, and hasty regional development programme without a clear strategy. Moreover, Emilio De Figueroa (1964) underlined that the Plans would be successful if, and only if, they would take into consideration and intend to resolve by all means the three main obstacles that the Spanish economy was facing: lack of social mobility, lack of competition, and monetary instability.

Della Porta (1964) exposed several critical observations of the Plan, mainly of technical character: (a) The absence of a general model perplex the appraisal of the development and complicates the evaluation of the feasibility of the Plan, of the anticipated redistribution of the active population between the primary, secondary, and tertiary sectors; the relative suitability of the Plan in respect with macro variables including increase in the productivity, the imports, and consumption; (b) The redundancy of the proposals of the qualitative character, which do not indicate the way whereby the stated criteria can be quantified, especially in the matter of selection of the investments; (c) The information is incomplete on the certain subjects: the relation between the private consumption and the income available with its reflection on the formation of the individual saving; the relation between the wage increase and increases in the productivity; the price policy, in relation with the inevitable and forecasted tensions that will occur as consequence of the increase in the demand of the home economy and exterior opening-up; (d) It is impossible to appraise the behaviour of the private sector before the introduction of the Plan, neither the bond that allow the private actions to develop in agreement with the general objectives of the plan is indicated; (e) The technical and administrative periods of interventions in relation to the period of performance of the Plan are not expressed, making it impossible to judge objectively the possibility of achieving the determined goals during four-year Plan. However despite of the ample critics of the DP and its underdeveloped technical aspects, Della Porta emphasized that the general objectives do not contradict each other and were totally compatible; the Plans presents a high degree of flexibility; the quantitative goals are fixed with prudence and, taking into account the process of liberalization in course of the Spanish economy, the projected targets have a great probability of being reached, if not in the first four years, but in the future six.

The article *Esperanzas y problemas de la planificación española* (ICE, 1962) summarized the dangers of the Plan about to be introduced, stressing several drawbacks associated with it. Primarily

there was a concern that the Plan could become a formal substitute, instead of being an instrument, of the development politics. Secondary the DP could entail regression towards the markets of direct intervention. Greater integration on European scale will require intense liberalization of the markets, increased flexibility of the production system, and full use of the free initiative of the entrepreneur. In case of indirect interventions the free game of supply and demand is respected, however if DP would involve direct intervention the balance would be damaged, and the objectives would not be accomplished. Thus for the success of the Plan it should be an instrument for liberalization of the markets. Thirdly, another danger that cannot be ignored, the elaboration of Plan could be drastically influenced by certain interest groups in the specific desired directions, thus swerving from the crucial objectives. Fourthly, in order for the Plan to succeed, it is precise to establish proper mechanisms to fight monopoly, which ignores innovation, slows down economic growth, and socially harmful.

## 6. The process of elaboration of Development Plans in Spain

Laureano López Rodó, Spanish lawyer, diplomat, politician and member of Opus Dei, played a leading role in the elaboration and executing of DP, which, have contributed decisively in the evolution of the Spanish economy. López Rodó (1963) believed that the DP could be a powerful catalyst of the Spanish Administrative reform. Commissioner for Economic and Social Planning, in Presidency of the Government of Spain, López Rodó stated through the decree 94/1961 of February the 1<sup>st</sup>: “The necessity to impel the elaboration of the Plan of Economic Development and assure a more effective coordination of tasks, which correspond to ministerial departments, Trade Union and private initiative, advising to have an adequate instrument that serves as a connection between the Delegate Committees of economic matters and organisms that are to participate in the elaboration and later execution of the Plan” (Álvarez, 1975). As a result in 1962 the new department within the Office for Economic Coordination and Planning was created: the *Commissariat for the Development Plan* (in 1973 renamed as Planning Ministry) under the direction of López Rodó, who became commander-in-chief of the regime economic forces.

The objective of the Commission was to transform the Spanish economy, improving the standards of life, modernizing productive structures, planning the growth of the different economic sectors, reducing regional imbalances and promoting the development of specific regions (Domínguez, 2002). The Commission played a vital role in coordinating the medium-term decisions, including annual planning for public expense devoted to investment to give greater rationality to the decisions; as well as guiding the private initiative in its expense decisions, affecting its actions by means of investment incentives.

The decantation of the scheme of the Plan on planning the actions to be implemented took several months for various teams under the direction of Lopez Rodó. J. R. Álvarez Rendueles (Sub-Secretary of Finance) stressed the four principal phases of the elaboration of each plan, emphasizing that despite its peculiarities all plans followed the same model or scheme.

The first phase included studies on evolution of the population, productivity and economic magnitudes prepared by the Cabinet of Studies and various commissions (which also included government attorneys and national advisors) and offices (González, 1979). The teams drew a picture of each specific sector including the proper measures to be adapted for achieving the objectives in four years. It is important to mention that the preparation of the DP by Commissariat was leaned on the work of the vertical and horizontal commissions, such as Foreign Commerce or Financing. During this stage of preparation of DP the Commissariat turned to the advice of foreign organizations and experts. The I DP was based on the report elaborated by the World Bank, which summarized existing problems and proposed feasible solutions, as well as logical strategies to follow. The report of the World Bank laid the foundations for the further construction of the Plan. The II and III DP received technical assistance through the works of foreign experts, including Kragh, Beckerman, Thorbeck, Richardson and Waterston. For the II DP foreign specialists recommended financial planning, foreign commerce projections, selectivity, whereas the III DP benefited through the suggestion of introducing econometric model into the operation, as well as short and medium-term forecasts.

The second phase is the planning itself. The Commissariat prepared the diverse alternatives of the possible behaviour of the economy in micro and macro-terms and elaborated the corresponding forecasts of production, investment, employment, foreign commerce for different sectors.

The third phase, more of the political character, included stating the final directives for the Plan. During this stage the scope of participation of the Spanish population was extended inside the schemes previously drawn up, and the reports from different organisms were collected. Finally, the Commissioner of the Plan, Lopez Rodó, presented the Plan to the Government, for the approval of the objectives, alternatives of growth and projected performance of the economy for next four years.

After the approval of the DP the Commissariat elaborates the final draft of the Plan. At this final stage the great importance play the determination of the proper program of the public investments through the collaboration with the Ministry of Finance and Treasury, which in its turn develops financial planning, which is carried out by the finance presentation, guided by the Central Bank.

Once all the phases of the elaboration of the Development Plan are completed, the plans are prepared to be approved by the Parliament. The Trade Union and the Council of the National Economy after throughout examination of the proposed plan issue respective mandatory reports. With these proceedings, and along with the Law for the plan, the Government finally sent the plan to the Parliament for the study and definitive approval.

#### 7. Economic and social development program for Spain, 1964-1967 (I DP)

The first DP (1964-1967) was started by the Spanish dictatorial government and promoted by the Industry and the third sector of the economy. It pursued to boost the resources of the Spanish economy after the long period of reconstruction and inflation in the 50s. The DP was viewed as the most logical alternative to the practice of economic improvisation, which can notably stimulate the development and progress of the country. Before the approval of the Plan in 1963 Franco stated that “the government politics has not only to anticipate the future”. López Rodó in the speech before the Parliament on the 27th of December of 1963 stated that: “The plan consists of: a forecast of the evolution of magnitudes of the Spanish economy in the next four years; a clear definition of the of the economic and social development policy, that the Government suggests to follow; a program of public investments; a set of sectorial programmes assembled within general framework; a law that approves the Plan and assures its fulfilment” (Álvarez, 1975).

The DP presented a general study of the economy with strong emphasis on industrialization and with the objective to achieve the maximum growth of the Gross National Product (Viñas, 1979). It also pursued a number of economic targets. First of all, it was precise to promote scientific and technical investigation; improve the transport sector; promote more equitable distribution of income that stimulates production; also increasing productivity in the agrarian sector would allow a greater supply. The Plan attempted to orientate and motivate the privates sector, which served to mobilize fundamental productive sectors of the country. The scheme of concerted action (“acción concertada”) was a copy of the French mechanism of “quasi contracts” between private sector and the State. The individual firms through a negotiation process with the Ministry of Agriculture, Interior and Industry took the responsibility of achieving a certain target of production or productivity. The State on its behalf was guaranteeing financial and fiscal rewards for accomplishing the stated objectives. In many cases the support included cheap credit, which was covering around 70 % of the cost of new plant or equipment (Harrison, 1985). Among the favoured industries were iron and ship-building, while other sectors like food processing were less favoured.

The idea lying behind the scheme was the neoclassical conception of the World Bank Report (1962). The economic development of Spain had a great influence on the policy of regional development. The Plan established the regional development policy to attract private initiative to the selected zones by the means of subsidies and fiscal incentives, with the purpose of restoring fairness in the development and income of various regions. Thus the Spanish regions were classified as “desarrolladas” or developed (North regions, Cataluña, Levante, and Balearic Islands); and “insuficientemente

desarrolladas” or less developed (Galicia, Duero and Ebro’s valleys, the Central regions, Andalucía and Canary Islands).

There were created Areas of Development (“Polos de Desarrollo”) and Areas of Industrial Promotion (“Polos de Promoción Industrial”). The Areas of Development were located in zones of low level of income, depending on the agriculture and with a high level of emigration, but in which already existed important industrial activity and possibilities for future growth. They included five cities: Zaragoza, Valladolid, Vigo, La Coruña and Sevilla. On contrary, the Areas of Industrial Promotion were located in zones with important natural and humans resources, but with undeveloped industrial activity. The regions with great possibilities of industrial development were supposed to initiate an industrialization process if the Government promotes it. Burgos and Huelva were chosen as Areas of Industrial Promotion. The activities to which benefits could be allocated were delimited in the Areas of Promotion, as it was in the case of Burgos, those activities were granted, that contributed to the development of the zone, as long as the investment needed was superior to the twenty million pesetas and at least fifty new working places were created. The regional action was mainly centred on the use of “growth areas”, that were able to improve the economic structures of lagging regions.

The I DP announced a number of objectives to achieve in each sector during the following four years. Thus, in the agrarian sector the targets were: (1) Elevate the agrarian productivity in order to increase national supply, contribute to the economic and social development, as well as improve the balance of payments (2) Improve the conditions and standard of life in the country; (3) Facilitate the transfer of agrarian population to the other sectors; (4) Prepare agriculture for the integration of Spain in the EU (Prados, 1996). In order to reach those objectives the Plan proposed to accomplish: the reform of the agrarian structure; transformation, industrialization and commercialization of the agrarian products; adequate politics of agrarian prices to motivate the production; public and fiscal investment politics that contribute to the capitalization of agriculture.

In the industrial sector, the high-priority objective was to increase productivity, which will have a positive effect on the competitiveness of the companies. The expansion of the sector was left to the private initiative. The public sector will intervene through the national Companies, as subsidiary instrument for the private initiative and by indirect methods. Among the objectives for the industry were: the promotion of the quality of products; the sufficient promotion of production units and distribution. The instruments for achieving the targets include: concession of credits through ICO for long and medium term; promotion of the external investment, promotion of investments in the mining sector, policy of concentration of the productive units, policy of development and transformation of the small and medium company through technical and financial aid.

According to the DP the transport sector was considered of major importance judging by the volume of investments assigned to it. The Plan recognizes the deficit in which the sector finds itself, and stresses the insufficiency of resources to correct it. On the basis of the previsions of the demand, the Plan states the objectives: achieve the maximum yield of the present resources, and effectively provide different means of transport with the objective to meet the demand resulting from the development of the productive sectors. Finally, the Tourism Sector received a special attention in a country with millions of tourists. The plan was to increase the number of hotels and tourist lodgings; improve and increase the number of complimentary tourist infrastructure, including restaurants and travel agencies, and devote special attention to the professional formation.

Real GNP increased 6.2 % in 1964-1968, instead of the 6 % projected. However, a deficit trade has been reported and growing in Spain the four years of the I DP, despite the favourable evolution of the balance of transferences. The net capital inflows, as it was anticipated, remarkably helped to finance the economic development. Despite this sustainable growth, economic stability was not achieved. The high inflation, which constituted in 1964, 8.6 % annual growth, lead to the high increase in the prices of consumption, and forced to introduce stabilizing measures, which resulted in the devaluation of the peseta in 1967 (1 dollar equalled 70 pesetas). As for the industrial and construction sector achieved better results that was forecasted. The service sector also had positive evolution with the level of growth growing slightly over the predicted rate. On the contrary, the negative evolution in

the development of the fishing and agrarian sector, since the main investments made to this sector would have effects on the production only in the long term. The achieved results for the public sector did not accomplish 50 % of what was projected. Actual integration in the world economy was achieved through strong increases of imports and exports, and the boost of the tourism.

## 8. The II DP (1968-1971)

Selectivity was the feature that probably distinguished the II DP (1968-1971). It tried to improve the allocation of resources, and assure the competitiveness the Spanish economy, as opposed to the general mobilization of resources and efforts in the I DP. Increased attention was paid to agrarian sector and education. The initiation of the Plan was delayed by almost a year due to the devaluation of the peseta in 1967 and innovations introduced in the legislative system of the Parliament through the constitutional reforms of the Organic Law of the State, on 1967 January the 10th. The II DP intended to be a “realistic plan” with three important characteristics: 1) Economic stability, as a consequence of the devaluation of peseta. The projected growth of the GNP was reduced to 5.5 %. 2) Increased attention to the development of the social sector, including strengthening education and professional formation, raising the individual and social level of culture, promoting the equality of opportunities. Special attention was devoted to the expansion of the Social security, healthcare and social assistance. The Plan guaranteed to meet the needs of the Spanish people, assuring sufficient medical assistance and the welfare services. 3) The third feature of the DP presented by Lopez Rodó before the Parliament: “Our country must strengthen the contacts with the international activity and make an effort to collaborate in its goals and participate in its success. For that reason, in the forecasts of the plan can be found intentions to make the necessary efforts to connect with the Common Market, which will integrate the country into the social and economic progress of our continent” (Álvarez, 1975).

Certainly, the II DP benefited from acquired technical improvements from the previous one. There was a significant advance in the forecasts of the macro-magnitudes, complemented with estimation in monetary terms and a financial programming at elementary level. The preoccupation for the short-term progress and the introduction of necessary readjustments, lead to the configuration of the “alert signals” (a French concept), with divulging intentions and of mere control, to serve as an aid to the technicians in charge of monitoring the execution of the plan.

The regional development objective in the II DP was to maintain the elevation of the rate of national growth, to shorten the gap among regions in terms of income per person. The Plan affirmed: “The persistence of regional imbalances and the socio-economic transformations in the last years advise to continue the policy of regional development, framing the difficulties in a more ample conception”. The long-term regional development was defined by the rearrangement of the coastal zones, the aid was provided to foster economic progress of Ebro Valley, decongestion of Madrid and the union of Northern areas with Madrid through Burgos and Valladolid. The Poles of Zaragoza, Seville and Valladolid were replaced in 1970 by those of Granada, Córdoba and Oviedo. The Plan rested on the concept of “development axes”, rather than the “precise” concept of regional planning. And intended to extend the sphere of action, including agrarian policy (agrarian industrialization, colonization, rural arrangement), industrial policy (regions of preferred industrial location, industrial estates, decongestion of highly industrialized regions clearing), and the sector services.

## 9. Objectives and results of the II DP

In the primary sector the objective was to elevate the population’s standards of life, improving the distribution of income in favour of the agriculture, and increasing agricultural production in order to obtain a greater internal supply in satisfactory conditions of quality and price. Thus internal consumption would increase and commercial balance will be possible. The Plan fixed various targets: education and professional formation; technical training in agrarian companies; developing the conservation, transformation and commercialization of the agrarian products; adequate price policy to strengthen production; selective policy of public investment and stimulation of the private investment; credit policy to the agrarian companies that fulfil certain announced requirements.

The II DP intended to foster production efficiency of the industrial sector, which would allow Spanish industries to meet the internal market conditions of price and quality and expand exports. The recommended policies were: intensification of the process of industrial concentration; expansion of the production of those sectors that have the greatest possibilities of export, or replacement of imports in competitive conditions; improvement of the financial structure of the companies; update, simplify and coordinate the norms and regulations that control the exercise of the industrial activity.

The Plan recognized the need of rising the investment in the transport sector in order to satisfy the increased demand; and proposed the following objectives to achieve: to respond qualitatively to the increasing demand of transport and communications; more rational use of the transport infrastructure; to expand the activity of all means of transport, avoiding economic deviations, adapting the postal service and telecommunications to the new demand. To reach those objectives it was necessary to modernize the structures and techniques of distribution; promote greater competition; establish the standardization of products for the domestic market; set up information systems of amounts and prices for industrial products on national scale; impel the technical assistance to the traders, as well as investigation and study of the problems of the domestic trade. Finally, in the Tourism sector the Plan promoted domestic and foreign tourism and greater diversification of the demand and the tourist zones.

During the course of the II DP the external stability recovered however it was not fully achieved. Despite of the fact that the price levels were reduced considerably, they still remained superior to the levels projected. The achieved rate of 6.5 % annual growth of the GNP surpassed the projected growth by one percentage point. During those years it was possible a considerable improvement in the balance of goods and services, as well as a significant increase of foreign trade coverage. The capital balance grew gradually in the long term, presenting a lower inflow of capital than projected. The negative evolution of the capital formation, especially in 1970-71, resulted in the improvement of the external stability.

The rate of growth of the industrial sector was superior to the planned one. The construction sector experienced ups and downs during the course of the plan, showing excellent results in 1968 and 1969, and major decline in 1970 and 1971. As for the agrarian and service sector they showed a positive evolution (especially in 1971) with a high rate of growth. The disagreement between short and long term policies remained and the “alert signals” were not taken care of by those responsible for it. By the end of 1971 the prognosis was very optimistic and all the major economic indicators were demonstrating favourable evolution. That was the reason to maintain the parity of peseta, despite the international monetary fluctuations of December 1971.

#### 10. The Third Development Plan (1972-1975)

The III DP is considered to be the most expansive one, with the projected annual growth of the Gross National Product of 7 % in real terms. In order to obtain a high sustained growth of the GNP the priority was given to the industrial sector, rather than to agricultural or service sectors. The target was to make it possible the integration with the Common Market. Although the III DP presented some technical improvements, the fluctuations in the international monetary system and the elevation of the petroleum prices, prevented a positive repercussion in the Spanish economy. It was given attention to some aspects: to regionalize public investment; to solve the problem of degradation of the environment, which became severe in certain zones; and to achieve that each region had essential means to impel and to accelerate its own development.

The III DP gave priority to the social development rather than economical one, in order to reach a better quality of life for the Spanish people: healthcare and social attendance, employment and social security, a fair assignment of resources. The planners focused on improving the use of the resources available and increasing investment participation, at the cost of restraining the progress in the private consumption. In this sense, the Plan leaved the allocation of decisions to the market, making it the principal decision-making mechanism. The use of econometric models enriched the planning techniques, for the medium and long-term planning, as well as for the sectorial approach.

## 11. Objectives for the different economic sectors

In agriculture the III DP aimed to promote a greater standard of life of the sector, strengthening the production to obtain a greater degree of self-sufficiency in good conditions of quality and price; so that there would produce an increase of exports. The instruments proposed in the Plan to achieve those objectives were: education, professional formation and the agrarian extension; applied investigation; expansion of advising assistance of technical and economical character; reforms of the socio-economic structure so that exports respond to the principles of social justice and profitability; improvements in agrarian infrastructure; improvement of the conservation, transformation and commercialization of agrarian products; credit policy; cultural and social promotion of farmers; maintenance of the stability of permanent agrarian workers, with the flexibility necessary to obtain improvements of the productivity of the sector; reorganization of the agrarian companies.

The accelerated development of the industrial sector planned in III DP is justified by its pivotal role in the growth of GNP and, related with that fact, its increasing participation in the percentage of occupied population, the importance in foreign trade, and the necessity to prepare Spanish economy for integration in the Common Market. The chief objectives were: to reach a stable growth of industrial production to guarantee a sustained development of national income and social progress; and to achieve improvements in the competitiveness of the industry. The Plan accentuated the role of a few industrial sectors: basic industry (energy, iron, and steel), industries related to the advantage of natural resources (mining), and advanced technology industries. Basic industries, as a result of their foreign exchange earnings, create new incomes and additional spending power in the country's economy.

The III DP pointed out the increased demand that the Transport Sector was experiencing as a result of the development process. Among the primarily objectives were the further improvements and expansion of the transport system, as well as integration of the transport subsystems into a global one. In domestic trade the aim was to foster commercial structures especially in distribution of products in order to facilitate the connection between the production and consumption, reducing costs and easing the competition; facilitate the access to small / medium companies to higher levels of productivity; and the protection of the consumer rights.

Finally, the tourism sector should continue the process of expansion, diversification, and improvement in the quality of service. The following objectives were selected as primarily ones: the adjustment of infrastructures to the supply of tourist lodgings; the promotion of hotels and domestic tourism; the creation of new tourism facilities.

In the III DP there was a 6 % of GNP growth, instead of the planned 7 %. The high inflation surpassed the rates of the previous Plans. Also the external stability underwent an important deterioration. The trade balance deficit resulted in the considerable growth of the imports, and exports grew in a much smaller proportion, below the predicted rate. None sector reached the projected objectives. The smaller deviations took place in the agrarian and service sectors. The industrial sector did not achieve the predicted rates. The growth of the construction sector was weak, being even inferior to the one of the II DP. The prices rose dramatically in all the sectors, more than in the previous periods. The prices of the construction and services sectors had a greater growth, followed by the industrial and agrarian sectors. Inflation and deficits of the trade balance were of such consideration that demanded an immediate solution. It is necessary to consider that the increase of petroleum prices had important negative effects in the domestic prices and the trade balance.

## 12. Evaluation of the indicative planning in Spain

Among the positive aspects, it can be said that DP contributed significantly in the evolution of the Spanish economy. The projected targets of annual growth of the GNP were surpassed in almost all Plans (I DP: projected growth was established at 6 % versus achieved 6,2 %; II DP: projected growth of 5,5 % versus achieved 6,5 %; III DP: estimated growth of 7 %, though not achieved, but the stable 6 % of annual growth was accomplished). Without a doubt it is possible to ascertain that IP coincided

with the rapid expansion of the economy and most certainly contributed to it. It is worth mentioning that the new innovative strategies and techniques introduced during the course of the planning practice played a significant role in the progress achieved: “there is no doubt that joint efforts like stimulating the private investment thorough various incentives, the dynamics of public investment in the first years of planning, the collaboration and trust of the private sector, and the increasing integration in the world market have contributed drastically to the rapid growth of the economy” (Álvarez, 1975).

The second positive feature is that DP allowed positive economic and social transformations. The transfer of population from agriculture to the industry and the service sector lead to a drastic reduction of the agrarian population and remarkable growth of the population dedicated to industry and services. It increased the middle-class, including skilled workers, independent professionals, and employees of the administration, bank, and insurance. This change was reflected in the growth of the productive system, resulting in the increased investment quote in the GNP (Lieberman, 1995). The intense process of industrialization increased the production of cars or naval construction, as well as electric energy, which tripled during the course of the plans. The new social structure demanded changes in the education. Reforms introduced more technical and modern education, extending the compulsory schooling from 6 to 14 years (1964). The number of scholarships, institutes and universities was increased. The General Law of Education of 1970 introduced free elementary education. Consequently, the illiteracy drastically diminished until reaching the levels of advanced countries. Improved infrastructure and access to the consumption goods, resolved housing problem, all of these are the evidence that IP contributed to the transformation of the Spanish society.

The third positive aspect is that IP contributed to the increased rationality of the economic policy while establishing development objectives. As in the case of the public sector, planning the investment projects lead to a greater rationality and broader vision in the decision making, allowing more sufficient and proper allocation of the resources.

Oliva and others have emphasised some negative effects of the IP. First of all, DP missed the point, not resolving the crucial problems, but dedicating too many efforts to diversify the sectorial actions. Besides, the public sector didn't complete its part in the implementation of the projected plan. The weakness and inefficiency of the public sector, with a regressive tax system, did not restrain the inflationary tensions, neither corrected serious regional imbalances, leading to the disordered urban growth and worsening the environment.

Also, the existence of unnecessary mechanisms of protection and regulation to promote the enterprise activity, including credit preferences, special discount lines, fiscal exemptions, allowances, caused the fight between the different groups of interest of the regime, not for the reduction of production costs or increases of productivity, but for obtaining certain privileges and financial aids. Another negative aspect was the rigidity of labour market, including low wages and concealed unemployment. The strict legislation prevented the dismissal of workers at the cost of maintaining low salaries and the lack of labour union freedom. Despite of a reduced rate of feminine activity, near a million workers was unable to find a job in the country. The exclusion of women from the labour market and the massive emigration of the Spanish workers to the European countries, including France, Germany, and Belgium, allowed keeping the rate of unemployment reduced.

The work of the Commissariat of the Plan was relatively static during its years of existence, with regard to the conception and elaboration of the plans. With a reduced budget and limited personnel, the Commissariat couldn't progress and become the real centre of studying and planning in order to realize meticulous global planning, as well as more solid and detailed sectorial planning.

### 13. Conclusions

It goes without saying that Spanish DP were largely influenced by the French experience of IP. Inspired by a great success of planning in France and excellent results achieved, Spain copied the model without readjustments for the domestic economy, hoping for similar outstanding outcomes. The French influence was especially noticeable in the organizational scheme of the Commissariat of the Plan, as well as in the structuring of the interrelations between it and the Administration and the pri-

vate sector. However, the Spanish planning did not provide as good results as French, and can be evaluated merely as a failure, rather than success. Public and private sectors formed their decisions outside the purview of the targets established by a plan.

As a result a radical difference between forecasts and reality was registered, without the planners making no attempts to review the forecasts or settle down complementary mechanisms. It is also worth mentioning that in the Spanish practice of IP, as opposed to the French one, the partial plans, the urgent measures and short term planning predominated over medium / long term planning, devoting high-priority attention to the quantitative growth to the detriment of the structural transformations.

It is difficult to conclude what the Spanish economy would have been without the DP. Many economists believe that a high rate of growth and eventual integration in the Common Market could have been achieved even without IP, arguing that “Spanish Miracle” had little to do with the practice of the development plans, stressing that they were nothing more than a waste of resources and gave rise to the increased complexity in the decision making both of the private and public sectors, and represented a serious obstacle to the positive tendency of the liberalization.

DP coincided with the “Golden Age” of European growth (1950-73), characterized by high uninterrupted rates of growth (real GDP annual growth exceeding 4 per cent in Western Europe during the stated period), mild cyclical fluctuations, moderate rates of inflation, important increases in the capital-output ratio, and low unemployment rates. The growth of European economy was associated with scientific and technological advances (massive transfer of technology from the United States), and as a result strong growth in fixed investment in machinery and equipment; reallocation of production factors towards higher value-added sectors (from agricultural sector to modern manufactures); significant growth in the world and inter-European trade (due to the reduced tariffs), creation of a set of domestic and international institutional arrangements to promote openness and the integration of the European economies, including Marshall Plan, European Payments Union, European Free Trade Organization (1960), OECD, GATT, a system of fixed exchange rates, and the European Economic Community. Taking into consideration the favourable international environment and positive growth dynamics in Europe most probably the Spanish economy would have prospered without the DP.

However it would be unfair not to consider that development plans introduced major improvements, including improved educational and healthcare systems, positive social and cultural transformations, contributed to the increased rationality of the economic policy, and greater opening of the economy, despite of the significant deviations in the planning strategy.

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