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The FAES Campus 2004 took place in Navacerrada between 5th and 18th July. Throughout this two-week period, a number of prestigious academics, teachers, politicians and creators were brought together in order to analyze, study and consider some of the most important issues of the moment. The articles included in this edition of the FAES Papers reflect the most important ideas that were presented and discussed at this event.



ECONOMICS AFFAIRS

REFORMS REQUIRED TO CONTINUE PROGRESSING TOWARDS FULL EMPLOYMENT

Jaime García-Legaz. Head of Economic Affairs and Public Policy at FAES

It is necessary to continue the reforms, relating to both structural aspects and economic liberalization, in order to promote greater competitiveness in our productive sectors, this being essential in order to ensure the ongoing growth of the Spanish economy, convergence with Europe and the ultimate objective of full employment.

The extraordinary progress achieved by Spain throughout the 1996-2003 period in terms of job creation, raising Spaniards' income levels and convergence with Europe, was the result of a successful economic policy. The opinions of various economic experts present a wide-ranging consensus in identifying the **four main pillars on which the success of economic policy is based: political-institutional stability, budgetary stability, tax reductions and structural reforms** in the consumer and service markets.

The Spanish Economy: A Benchmark in Europe

Throughout the 1996-2003 period, Spain provided a benchmark in economic matters for the whole of Europe. The **four and a half million net jobs created** (compared to the zero net job creation over the previous twenty years) signified not only an enormous economic step forward - as highlighted by **Luis Gámir** and **Elvira Rodríguez** -, but also a considerable period of progress in terms of social policy. **Juan Jiménez Aguilar** and **José María Fidalgo** both highlighted the considerable number of new jobs created in recent years, which brought about a radical change in the employment situation. For his part, Fidalgo pointed out that **some Spanish Regions are approaching the point of almost full employment**.

The **consolidation** of the **public accounts**, combined with a **balanced budget** and a **Social Security surplus**, were described as being **historic achievements** by the lecturer **Juan Velarde**. The balanced budget enabled interest rates to be lowered considerably, contrasting with the two-digit rates that had existed up until 1995. According to **Nicolas Sarkozy**, the French Minister for Economic Affairs, Finance and Industry, *"the policies of President Aznar provided the best point of reference for all the centre-right political parties in Europe"*.

The Strength of the Euro

Robert Mundell, the Nobel Prizewinner for Economics, considered the creation of the euro to be a great success and attributed Spain's successful integration within the Europe of the euro to José María Aznar. **The membership of Spain, Italy and Portugal** within the Monetary Union from the moment of its creation was **a key factor in ensuring the success of the euro as a currency**. **Jaime Requeijo** and **Luis Gámir** underlined the importance of the euro with regard to Spain's economic progress.

“The credibility and future of the euro is based in good part on the Stability and Growth Pact. It would not be a good idea to call it into question”

According to Mundell, the **credibility and future of the euro is based**, in good part, on the **Stability and Growth Pact**, including its flexibility margins. It would not be a good idea to call it into question. However, Mundell declared himself to be in favour of a possible reduction in the public deficit limit with respect to GDP, even up to a 1% reduction. He also spoke in favour of closer links between Europe and the United States, **a Europe that looks towards the Atlantic**. This thesis was explored in greater depth by **Pedro Schwartz**, who proposed strengthening the economic ties between the two continents through the creation of a **free trade zone between the United States and the European Union**, one that would also be open to the rest of the world.

Reforms and Spanish Economic Growth

The importance of **economic and institutional stability** when it comes to explaining Spain's achievements in the economic and social field, was highlighted by **Matías Rodríguez Inciarte**. In his opinion, **disturbing a country's political-institutional stability has a high economic cost**.

To contravene the Law on Budgetary Stability, as the Socialist Government has considered doing, would, in the experts' opinion, be a grave error, bringing with it a number of negative consequences. The **public deficit** now forms part of **an outdated and erroneous economic policy**. With a higher public deficit and higher debt, **Juan Velarde, José Luis Feito** and **Cristóbal Montoro** forecast higher interest rates, lower economic growth and slower job creation.

“Contravening the Law on Budgetary Stability means a higher public deficit and higher debt, higher interest rates, lower economic growth and slower job creation”

Juan Irazo and **Luis de Guindos** proposed new reforms to promote economic liberalization and competition in all the productive sectors. The absence of economic reform on the part of the current Government, especially reform of the job market and of certain markets for goods and services, may lead to lower levels of employment and prosperity. New reforms in the job market are essential. According to **Federico Durán**, the reforms carried out in labour relations over the last two legislatures, combined with those of previous legislatures, have had a positive effect on employment, both in terms of size and quality of the job market.

We must undertake new reforms that lengthen the employment cycle and endow the Spanish **labour market with a greater degree of flexibility**, especially in relation to contracting, types of employment and collective bargaining. **Juan Jiménez Aguilar** is in favour of reforming policies relating to human capital, especially in terms of ongoing training, social protection policies and improving immigration policies. Furthermore, in order to promote ongoing job creation, he proposed improving fiscal benefits within business and employment contexts.

What is more, **structural reforms** are essential in order to **face the challenge of globalization**, an irreversible and generally favourable phenomenon. The experts highlighted the contradictory attitude of those who espouse economic development yet oppose free trade, the essence of globalization.

Various productive sectors that are most exposed to international competition face the gravest risks of industrial de-localization and require appropriate policies. **Joaquín Trigo** emphasized the fact that policies promoting **technological innovation** and supporting small and medium-sized companies must be given priority. It is also essential to promote policies to liberalize telecommunications and **develop the information society**, explained **Rosa M. García** and **Baudilio Tomé**, in order to increase the use of information and communication technologies within the productive fabric.