

Author: Jordi Pujol

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The economy has always played a determining role in relations between peoples, politics in general, and in the destiny of nations. We did not have to wait for Marx to tell us that. But that does not mean that it is the only determining factor.

In my address today, and I understand it is not to be too long, I would like to focus on some cases in which the economy has benefited understanding between nations and the political progress of many peoples.

To begin with, it is clear that without a certain level of economic well-being, it is difficult for democracy to become consolidated. That, at least, is how we see it in Europe. It is not impossible, but it is certainly much more difficult.

During the early '60s, when general Franco's dictatorship began to evolve, the person who was at the time the strong man of the government, Mr López Rodó, invented the following saying, "Democracy isn't possible with a per capita income of less than \$1,000". This was, in part, his argument in response to those who were calling for the rapid end of the dictatorship and the installation of democracy. (That's the position I defended myself, and I was imprisoned at

the beginning of the decade and then sent into internal exile.) But it was true to say that with a higher income and greater welfare, democracy would be more easily achieved. (On condition, I would add, that this increase in income is perceived by the whole population and that civil society is strengthened.) In fact, this is what happened in Spain; the standard of living rose and society matured a great deal.

To this must be added Spain's progressive opening up to the outside world. This was an economic opening up with tourism and foreign investments and there was also emigration, a social phenomenon, but one with repercussions for the economy. So we already have an example of how the economy influences bilateral relations, in this case, those between the EEC and Spain. But the happy outcome of the process of the restoration of democracy can be neither explained nor understood without bearing in mind the social, political and intellectual activities that for years had been turning sectors of society against the dictatorship.

Without leaving Spain, there is another fact that illustrates the relationship between politics and the economy; between democracy and the economy; and between relations with, and the opening up to, the outside world and the economy. A fact that demonstrates that over the last 45 years, Spanish economic policy has been good. It was still under the dictatorship admittedly but we are talking about the first years of this opening up to the outside world and the internal strengthening of civil society. And they were years of strong economic growth, a period marked by the 1959 Stabilisation Plan and then the

Preferential Agreement with the EEC in 1970. Then there was the transition to democracy which turned out to be much better than expected, in part because of the social changes and changes in people's thinking that economic policy had contributed to, and because of the strength and maturity of civil society. (You will, I hope, allow me to say, immodestly, that the political class, and the King too, got it right.) Key economic milestones during the transition were the Moncloa Pacts in 1977 which were pacts subscribed to by all the political parties and trades unions on social and economic policy, Spain's entry into the EEC in 1986, and recently, the EMU.

And look what happened as a consequence of that policy of stability and continuity that made a good economic policy possible. Something, and I am not exaggerating, of great historic importance. I say 'historic' because, for a minute or two I would like to talk about history which is often the best way of understanding things.

In 1850, the Spanish per capita GDP was 67.6% of the French and in 1959 it was 42.9%. In comparison with the USA these figures were 59.7% and 27.2% respectively. In comparison with Italy they were 70.9% and 54% and in comparison with Japan in 1870 (there are no data for Japan in 1850) they were 163.8% (that is to say, Spain was much richer than Japan) and 85.8% in 1959. Spain's position vis-à-vis Great Britain did not change (46.3% and 46.2%) and that can be explained because in 1850 Great Britain was far and away the world's leading country but in 1959 it had still not completely recovered from the decline caused by World War II and the loss of the Empire.

Now let's look at what happened between 1959 and 2003. With respect to France, Spain moved from 42.9% to 84%. With respect to Germany, from 42.5% to 88.2%. With respect to Italy, from 54% to 89%. With respect to the USA, from 27.2% to 61.8%. The exception was Japan where the figures are 85.8% and 83.5% respectively, but everyone knows that economic growth in Japan during the second half of the 20th century was spectacular.

This shows that Spain is a strongly emerging country—not just economically, but in general too—but economically a very strongly emerging country.

And this is the fruit of a good economic policy, one maintained for 45 years by governments of the most diverse hues, a fundamental principle of which has been the opening up of the economy to the outside world. Spain had traditionally been a protectionist country. Now it is no more so than the vast majority of countries in the EU.

But I am not telling you anything you did not previously know with this example of how a well defined and constantly applied policy can lead to substantial progress, despite the lack of fully-consolidated institutions and a general way of thinking that was undergoing political evolution. But the case of Spain from 1959 onwards, and above all from 1975, is a brilliant example of how the positive conjunction of these factors can have splendid results.

As I was saying, the results have been tremendously good and everything would seem to indicate that they will continue to be so. In economic policy the

positive conjunction that commenced with the advent of democracy will be maintained.

We could consider another example of the relationship between politics and the economy (and, I might add, culture); that is the process of European unification. This has been a great success despite all the hurdles frequently in the way. Why is that?

It is clear that a major factor has been the determination to make any new European war impossible. Above all the will to establish a good alliance between Germany and France. It is also clear that the Soviet threat made it easier for countries to get on with each other; US aid helped in this respect too. But a very major influence was the method followed whereby the economy, and the good use of the economy, played a determining role.

At a moment when everyone was disheartened as a result of the constant, debilitating squabbling of member countries about economic matters, Jean Monnet is reported to have said that it would have been better to start the European unification process in the field of culture rather than with the economy. I am not sure whether he did indeed put it like that, and I am certainly not sure that was right if he did. In questions of culture, each one's sense of identity plays a very strong role, often more so than in questions concerning the economy. At the WTO it was easier to come to agreement on industrial products than on cultural ones and recently, president Chirac has vigorously defended French cultural exception, with much more vigour and energy than

that applied to certain agricultural products. And in Catalonia itself there is a certain uneasiness with respect to the European Union, not for any reason concerning economic matters, but because we want the European Constitution to recognise Catalonia's language and culture.

What has happened is that a whole series of economic agreements has been knitting the European states closer together. On 10 May 1950, Robert Schumann said, when he proposed the creation of the European Coal and Steel Community, that it was necessary to propose new industrial relations between the peoples of Europe, and he went on to add that this would create a *de facto* solidarity leading to effective solidarity. And that is what has happened. With the passage of time, the ECSC became the Common Market, then came the Monetary and Economic Union and the European Central Bank. And then there was the Schengen agreement and the European Court of Justice and so many other things.

Of course, without political will, none of this would have been possible. Without Adenauer, de Gasperi, Schumann, Spaak, Giscard d'Estaing, Helmut Schmidt, Mitterrand, Helmut Kohl, Hallstein, Delors, Lubbers, Werner and Felipe González to name but a few, there would never have been a European Union. But the tool they used was, above all, the economy. It still is. Politics and the economy have worked together.

I have placed so much importance on the economy that I should say again that the economy alone is insufficient to lead the European Union forward. Politics is

also necessary and sometimes there isn't enough politics. Processes of unification have almost always, to a greater or lesser degree, had recourse to the use of force and very often to the use of violence. It is precisely one of the EU's great merits that it has been created without the use of violence. It is a practically unique case in all history; to have got so far by only peaceful means. Neither France nor Italy, nor Spain, Sweden, the United States of America, not even Switzerland can say the same thing. And in Germany you have a good example. The Customs Union proposed by Friedrich List was a great boost to German unity and to the movement of 1848 (which had its most promising moment, in the *Pauluskirche*, in Frankfurt). But in the end, force was used with wars against Denmark and Austria and against France too, even though you also have given us the example of completely peaceful unification, or rather, reunification, that between the Federal and the Democratic Republics.

And, of course, German reunification also raises issues with a bearing on the relationship between the economy and politics.

In December 1989, a month before the fall of the Berlin wall, I visited some German cities. Although I have always been a friend of Germany and although the prospect of German reunification made me happy, I must admit that the reason for my visit was a self-interested one. I was the president of Catalonia, that is to say, a country with a lot of German industrial investment, and I was interested in knowing if the likely reunification of Germany would affect German foreign investment. More specifically, I was interested in knowing if VW would continue to invest in SEAT, that is to say, in Catalonia. Or would it divert its

investment to east Germany? And there were other, similar cases. As a consequence, I spoke with many people and I discovered that there were Germans who were opposed to reunification precisely on grounds of the economy.

They said it would be very expensive. I found that very surprising and so did the other Catalans accompanying me. And we were even more surprised to learn that some of the most important German politicians were also opposed to reunification. We could not understand how it was possible to turn down such a historic opportunity as that.

Well, reunification was indeed an expensive business. But is that a good reason for not going through with it?

At that time I spoke about reunification with some German politicians: Biedenkopf, Späth, Lamers and two particularly well-situated people to judge the situation at that time, Teltschik, who was an advisor to Chancellor Kohl and the then president of the Bundesbank, Pöhl.

As you might suppose, Teltschik—the Chancellor's advisor—was all in favour of reunification and looked upon it with great optimism. But what was especially interesting was what Pöhl said and I know it has been explained on several occasions. He said, "I have already told the Chancellor that, from an economic point of view, the establishment of parity between the two currencies, the two German marks, is a grave error. I have told him this more than once. But he insists on going ahead with it and I understand that this decision, reunification,

is not an economic decision and neither is it only a political decision. It is a historic decision. In the face of this, it is the responsibility of the president of the Bundesbank to warn the Chancellor, once, twice and thrice. After that, he must accept that the decision, and responsibility for it, is the Chancellor's".

What I have tried to do today is mention a few cases in which the combination of politics and the economy can help us reach some conclusions. Perhaps you were expecting a different sort of address from me; one about the Spanish economy or the European economy and I have come up with something a little out of the ordinary. The fact of the matter is that all I can say about the Spanish economy is that it has been going well for many, many years and I think that it will continue to do so. And about the European economy, or the impact China is going to have on the world economy, or whether the price of oil will have a greater or lesser affect on our economy, well, there many people who are more expert than I on such matters and the financial newspapers are full of articles on these topics. Very recently, *The Economist* listed four things they thought could put a brake on the world economy, namely: a very high price for oil; deflation in US consumption; deflation in property prices and a slow-down in Chinese expansion. But, I seem to remember that, despite their circumspection and ponderings, *The Economist* thought that the global perspectives were good. Let us hope that they are right.

Thank you very much.