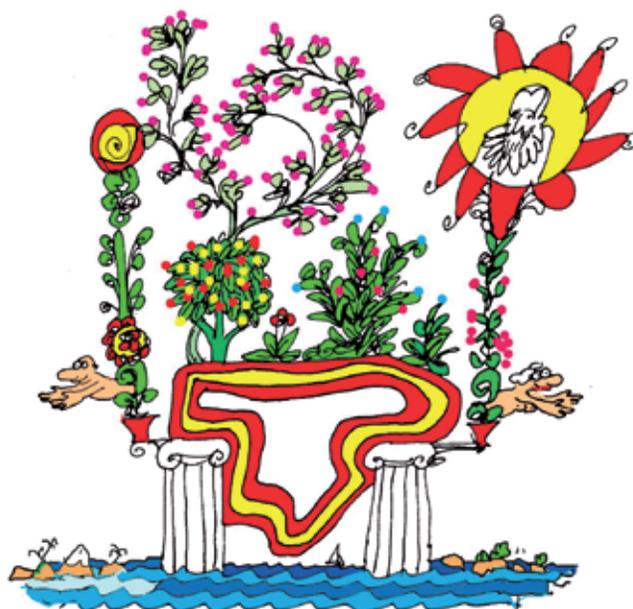


A **better Spain** for everyone

SEPTEMBER, 2017



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ANIVERSARIO

**CÍRCULO DE
EMPRESARIOS**

ideas para crecer

*“Perhaps more than a constitutional reform,
what this country needs is a dose of self-esteem”*

John H. Elliot

“Let’s shake hands and not turn our backs on each other”

Felipe VI





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Prologue

All the best things that have happened in Spain over the past 40 years of democracy have been a result of the attainment of our freedom and the achievement of our country's modernisation, which has been boosted and reinforced through our integration with and commitment to the European project. Since 1977, the history of Spain has been one of a period of socio-economic progress without precedent as a result of a collective effort. The Círculo de Empresarios feels proud of its contribution to this. Expanding our horizons as citizens and our international alliances as a country has been an excellent decision for the development and strengthening of our democracy and our economy, and in general for guaranteeing social stability.

Based on this positive experience, all the progress that our country needs to make will have to be achieved through new reforms, that should be supported by increased integration with and commitment to Europe – a Europe that (aside from Brexit and the disintegrating threats of populism and nationalism) needs to further define its project for the future and reinforce its unity, whilst always respecting diversity. In comparison to previous eras, the Spain of today can count on a sufficient degree of credibility and an array of strengths that will allow it to form part of the select group of countries that is going to lead the Europe of the future. As a result of globalisation, Europe can and should continue to play an important role on the international stage.

At the same time, Spain needs to put together an inclusive plan that mobilises and inspires us, and that provides structure for us all. This should be along the lines of what occurred with the recovery of our freedom and democracy, the development of our welfare state, and our fully-fledged incorporation into Europe from which we had felt (to a certain degree) excluded, up until then.



The Círculo de Empresarios is celebrating its 40th anniversary this year, coinciding with the 40th anniversary of the first democratic elections that were held after almost 40 years of dictatorship. At this special time, the Círculo wants to contribute to a national debate in order to develop a project for the creation of a better Spain for everyone, of which we can all feel participants¹.

With the aim of laying the foundations for this essential debate that will allow us to shape this project, a committee has been formed. It comprises members of the Círculo as well as renowned and prestigious experts, and is headed by the Spanish-Swedish member Ingemar Naeve. They have been working for the past year and a half on defining the things we have achieved over these past four decades, and identifying the main challenges that we will face in the future – a future that has already become a present reality.

For the achievement of this task, I'd like to give special thanks to the members of the Círculo de Empresarios Advisory Board: José Luis García Delgado, Ignacio de la Torre, Emilio Lamo de Espinosa and José María Pérez “Peridis”. I'd also like to thank the other members of the Comité listed at the end of this prologue.

It's clear that “freedom”, which has had so many positive effects for Spain, is the result of overcoming differences and drawing on consensus and agreement – clear expressions of democratic maturity. In order to achieve something similar in the future, everything that we want to create should be based on these same principles, with our sights set firmly beyond our borders and future. A new period is opening up in which we need to build an inclusive project. Spain will come out of this stronger, allowing it to play a key role in the revitalisation of the European project and in the structuring of the Ibero-American community, all within the context of a global world.

Javier Vega de Seoane Azpilicueta
Presidente del Círculo de Empresarios

1. Jordi Alberich, Antonio Basagoiti, Juan Cacicedo, Miguel Canalejo, Alicia Coronil, Antón Costas, Carlos Del Campo, Roque Echániz, Antonio González-Adalid, Enrique González Campuzano, María Grandal, José Antonio López Muñoz, Carlos Mira, Juan María Nin, Elena Pisonero, Enrique Portocarrero, Jesús Sainz, Carlos Trascasa, Carlos Villa and John de Zulueta.





Moving forward with determination, understanding what came before; memories acting as a lever for the future. Life isn't a question of going down or back; living it fully requires knowing where you've come from. This is the approach that the *Círculo de Empresarios* is taking to commemorate the 40th anniversary of its creation.

UA stock-take and a project. What has been done and what we're proposing as a desirable outcome. Taking stock, not with the idea of never changing what has been achieved (which is a combination of accomplishments and unfulfilled goals), but placing value on experience and offering it to those who are taking over. A census of what happened as a moral (and dutiful) testimony for each generation that follows. And defining a promising horizon to draw on the creative capacity of those who are moving towards it, facing new opportunities and new responsibilities. Social pedagogy, in both senses of the word: valuing the progress made and knowing which path to take.

This document deals with that, and also has the aim of contributing to the necessary mobilisation of a will among the population to participate, which is a hallmark of open societies and a necessary condition for steady and collective progress. It's our duty to attempt to do something about it so they can never say of us what was once said a century ago and in another place with these memorable words, "The best lack all conviction, while the worst are full of passionate intensity" (Yeats).

It's a civic society responsibility to foster participatory attitudes among the general population. Progress, with all the changes and adaptations that this implies in society as a whole, isn't a task that can be delegated, but a joint venture involving committed and proactive citizens. In democracy, you can't delegate responsibility.

Democracy makes people less dependent, but also provides them with a greater degree of responsibility to contribute to the general good.

In other words, the future isn't definable, but we can prepare for it. An exhaustive scrutiny or sophisticated foresight isn't necessary. It's a question of weighing up what's available and what's required or needs reinforcing in order to face the challenges of the future.

The best formula for lasting progress is to share analysis and solutions. There should be a search for agreements on the problems that should be addressed, agreements on the priorities that should be established and, ideally, ideas on how to deal with them - the search for areas of agreement as a permanent exercise in democracy.



I. The road well travelled: reasons for hope

A changing world, a changed world

On a global scale, change has been the dominant force for the past four decades. This isn't a preposterous or vain affirmation, but the result of an objective observation of reality. Ever since the start of the Industrial Revolution, at the very least, each generation has been led to believe that it was witnessing unparalleled changes.

The end of the rigid bipolar order established at the conclusion of the Second World War; the appearance on the world market and in international relations of new big players, some of whom could be more rightly described as “civilizations” rather than states (Huntington); emerging democracies where dictatorships once existed; more open borders for goods, people and ideas... Above all, the intensity of scientific and technological progress, with the first developments of what has become known as the Fourth Industrial Revolution or the Technological Revolution – the manipulation of the structure of matter and the unravelling of the very fabric of life being added to the domination of artificial intelligence: atom, gene and bit – the prodigious triad of investigative progress that has taken place in less than a century.

Four decades of spectacular innovation, with special mention for the years that acted as a link between the 1980s and 1990s when the fall of the Soviet Empire coincided with the arrival of the network of networks, the Internet – marking a before and after. Whoever finds themselves in the 21st century will see that it's decidedly a multi-polar, interconnected and multicultural world – another era!

In terms of social and material progress, the aggregate balance of the past four decades has also given rise to deep changes, and an encouraging sign that not even the Great Recession of 2008 in the closing period of this era has managed to affect. “The great story of our time” – as it has been rightfully described – “is that we are witnessing the biggest improvement in the standards of global life that has ever taken place. Poverty, malnutrition, illiteracy, mortality and the existence of child labour are falling at the fastest pace ever recorded in the history of mankind” (Norberg). To put it another way, “at the dawn of the third millennium, humanity is waking up and discovering something incredible. Most people rarely think about it, but in the past few decades, we have managed to control (in large parts of the world), famine, plague and war” (Noah Harari), the three harbingers of devastation that were ubiquitous until very recently.

In times of rapid change in a wide variety of aspects (technical, economic, social and political), it's essential to promote positive attitudes for dealing with innovation without fear - of regarding change as an opportunity to improve rather than as a danger to flee from. A desire to improve - the most valuable of skills



Resolute patience

It hasn't always been an easy or speedy ride, but European integration has taken some important steps during this period. Although occasionally at a ponderous pace – “the resolute patience” that Delors called for – the construction of the “shared house” has advanced, reaching greater heights than those initially imagined by the original founders. A common market, a common currency and successive additions to the club have been made along the way, with the unification of Germany – a major event – also in these years acting as a hinge for the start of the last decade of the 20th century

“The integration of Germany in Europe is the basis of stability in the post-war order” (Jürgen Habermas).

What started out in the 1930s as little more than a dream and that was later cobbled together in the Treaty of Rome, now exactly 60 years ago, started to take shape, bolstering the possibility of a rational (and achievable) utopia that has now become the European Union: 500 million citizens, 7% of the world's population. A percentage that should be accompanied by another two: the EU accounts for around 25% of the world's GDP and is the recipient of 50% of worldwide social spending. Three percentages (7%, 25% and 50%) that sum up perfectly the EU's credentials as it moves into the 21st century.

Of course, there have been moments of indecision and a lack of progress – euro-scepticism has been frequent among significant segments of public opinion. There have even been serious doubts about whether it could work, such as those that were addressed in *The Cost of non-Europe in the Single Market* (the Cecchini Report, 1989), or those who, at present, don't hide their anti-European attitudes, with or without populist garb. But the engine hasn't stopped, with an undeniably positive balance: in a Europe that leaves behind the years dominated by “death” and “evil” (Arendt); in the territories that a short time ago were home to a “savage continent” (Lowe), peace and freedom and prosperity have converged more effectively and lastingly than in any other period (Judt).

**“A united Europe was not achieved and we had war” (Robert Schuman).
Europe is “a question of war and peace” (Helmut Kohl).**

Modernisation and Europeanisation

In Spain, the past 40 years have been dominated by the democratic backdrop. Since the “reconciliation” (the name given to the peace established among us, and what is considered the great achievement of the Transition), the creation of a democratic system would rack up some remarkable achievements. In order to assess them correctly, it's necessary to take a variety of aspects into consideration: the opening up of Spain to the outside world and its participation in international dialogue, economic growth, social welfare, civic society participation and cultural creativity. The productive combination of peace, liberty and wealth that a lot of Europe has beco-



me familiar with over this period, has been well reflected in Spain. Freedom has suited Spain well with this epoch being, most likely, the best period in all of its contemporary history.

In other words, although similarly: Spain has shown an outstanding ability to overcome adversity. The difficulties have been substantial: the transition from a dictatorship to a democracy, the shadow of coup attempts, the prolonged presence of terrorism (before, during and after gaining momentum as a result of the coup attempts) and the rarefied atmosphere for the free market and free enterprise inherited from the interventionist vocation of the Franco regime. But the changes that have taken place in all aspects of Spanish life over the four decades in question have been substantial: with regard to institutional architecture and the degree of opening up to the outside world, the productive structure and business operations, Spain's competitive position in the global market, the presence and performance of the unions, the social fabric and general patterns of behaviour.

In more than one sense, all of this involves completing a process of modernisation, with Europe as a primary point of reference – as an aspiration and guarantee for the initial steps to be taken in the recovery of liberties. Later, as a stimulus and something to emulate after joining the EU – as an example of economic policies and, above all, as the catalyst for structural reform.

A widespread positive attitude among the population when facing change has contributed decisively to making the achievements obtained in democratic Spain possible. Spanish society is well-inclined to accept change (“change” having a positive connotation in this case), which helps provide an important differentiating factor in a time of fast and profound transformations.

This favourable willingness and acceptance of change, represents a real competitive advantage, in terms of both social and economic progress.

It's an open and receptive attitude that can easily be adapted and that can incorporate innovation and integrate individuals and communities with a variety of cultural, religious or ethnic backgrounds. An immaterial asset that represents a first-rate strength.

Modernisation and Europeanisation end up merging in the case of Spain. The achievement of a long-awaited intergenerational dream, that represents rejecting once more the theory of the “exceptional nature” or the “anomaly” of Spain. Conditions have been achieved in Spain today that are similar to those in the rest of western European nations. The natural evolution of Spain is part of a general progress in terms of individual rights, economic growth and social protection. If the neutrality of Spain during the First World War symbolised the somewhat marginal position of Spain on the international stage at the start of the 20th century, and the outside position of Spain during the Treaty of Rome is a clear indication of the isolation of the Francoist regime, integration in Europe is inseparable from the modernisation of democratic Spain..

Once again, Spain is following in the steps of Europe. The differences are of nuance or tone – of intensity in its rhythm or in terms of the tempo. No “anomaly” or “exceptionality” in the medium or long term.



II. Spain: a virtuous triangle

Elaborating on the reasons for democratic Spain's remarkable performance isn't hard. They are, without a doubt, easier to identify than the ones that once served to understand the "Spanish labyrinth" (Brenan).

Compared to the experience of the 1930s, in the decades we're focusing on now, the interaction between democracy and economic growth is looking good. Between 1975 and 2015, real GDP per capita has practically doubled. The number of jobs has increased by six million, a figure that corresponds to the increase in the number of women in the workforce. Great steps have been taken to provide merit goods, and the network of social welfare provision has increased. Although this has been achieved at the price of a considerable increase in public debt, technical infrastructure and social facilities have been substantially renewed and amplified. As a result, democratic Spain has improved in terms of true convergence (that is measured by per capita income) with the most advanced European economies. This has reduced once more (as it did in the 1960s, although now with less intensity) an age old disadvantage, even though it's still pronounced. We can conclude that freedom has strengthened individual and business creativity, while the Spanish economy, with the deployment of skills that were previously underused, has jointly helped to solidify democracy.

So, what are the keys to this successful convergence? One stands out among many: stability on a variety of levels: institutional, social and economic. Institutional stability, above all. The unhinde-



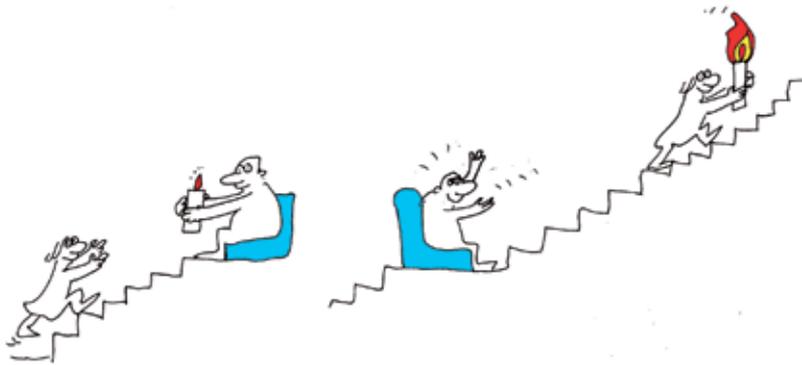
red effectiveness and validity of the Constitution (even while the scourge of terrorism reached its most intense period), is the definitive proof of this. Any comparison with the Restoration (1874-1931) or the Second Republic (1931-1936), when guarantees and constitutional rights were put on hold regularly in order to deal with political conflict and social unrest, merely serve to highlight the continued success that has been achieved. A constitution that provides a wide-ranging institutional framework with all that is stipulated and covered in it, and that a representative democracy and an open society requires. A stable institutional framework that has found in the monarchy a fundamental pillar, providing a vehicle for integration and a guarantee of continuity.

Institutional stability has also been reflected in the duration of governments, in particular with regard to the extension of terms and mandates in comparison to the periods mentioned before in the contemporary history of Spain. An illustrative comparison: Spanish democracy, in the 40 years since the elections of June 1977, has had six presidents; during the Second Republic, between the spring of 1931 and the summer of 1936, a period of just over five years, there were nine presidents, more than one of whom served more than once at different times; a comparison that is all the more striking if you take the 21 years between the start of the reign of Alfonso XIII (1902) and the dictatorship of Primo de Rivera (1923) into account, when the presidency changed 33 times (with 44 changes to the ministry of Finance, compared to just 10 between 1977 and 2017).

Institutional stability in democratic Spain: uninterrupted validity provided by the Constitution, a solid institutional structure, governmental duration and the alternation of power between mainstream parties, a high degree of participation in elections, a continual exchange of views between political and union representatives.... An enormously valuable fortress that has in the monarchy a fundamental pillar.

On a social level, stability has come to mean the effective management (in terms of agreements and solutions) of unrest that has, in turn, been relatively scarce since the middle of the 1980s. Scarce (compared to countries in our vicinity) in the phases of the booming economy, but also during the economic downturn, and even in adverse situations with extremely high levels of unemployment in the first half of the 90s and the years round about then, with increases in income inequality. A social stability that at the same time has led to the vibrancy of civic participation, in the enormous capacity of Spanish society to integrate the intensive flow of immigrants or in the admirable shock-absorbing role that families have played to offset the worst effects of the economic downturn, in spite of the changes simultaneously registered in terms of their own composition and structure.

The third element involves economic stability. With regard to this, it's often been necessary to fight against the scepticism of many on the advantages of opting for this, and not ceasing from doing so with the conviction that long-lasting prosperity requires stability; and the lack of this (monetary or fiscal) will sooner or later have a negative effect on economic activity. Stability also leads to confidence which is necessary for the closing of business deals and the signing of contracts, for investment initiatives and entrepreneurial projects – that which has come to be known as social capital, underscoring its importance for the progress of a country.



Stability, understood like that (in terms of the three complementary points) isn't far removed, therefore, from two of the events that best define democratic Spain's economy, forming part of its most valuable assets. On the one hand, the social acceptance of business people and the business function (in spite of the ups and downs of the political and economic cycles) – the understanding of the role of the company as a creator of wealth and social welfare, when the entrepreneur is capable and responsible. The recognition, in brief, of the importance of freedom of enterprise which is dependent on the climate of institutional stability and interpersonal confidence that encourages people to start up businesses and invest: the more macroeconomic predictability, the less resistance to assume risks in the microeconomic sphere.

The other event bolstered by stability has been the opening up of Spain to the outside world, allowing the country to gain presence and participate in multinational forums and multilateral organisms. The Spanish economy, without a doubt, has inserted itself definitively onto the international stage. A tendency that acquired impetus with membership of the European Union in the middle of the 1980s, when the third enlargement of the European Union more or less coincided with the signing of the Single European Act and the creation of the single market. This reinforced degree of opening up would result in business internationalisation, with this in turn leading to another important hallmark of resounding success, Spain's leap into the new century.

In effect, the internationalisation of a significant portion of the Spanish business sector is probably, in an era full of changes, the most innovative phenomenon – above all, if the long-standing Spanish industrial dependence on foreign projects and capital is taken into consideration. Since the start of the 90s (it's worth repeating) Spanish companies have demonstrated an astonishing capacity for initiative and management capability, and strategic ambition and know-how – an exercise in entrepreneurial extroversion carried out by thousands of companies, that has turned Spain into a net issuer of capital, thereby joining the elite of world-class investing countries.



The culture of enterprise and the social acceptance of business people has gradually gained importance (although not without its highs and lows as a result of “bad practice” and prominent cases of deficient corporate governance) in the era of democratic Spain.

The gradual opening up to outside markets and the vast internationalisation of Spanish companies has resulted in a higher social valuation of the entrepreneurial contribution in an open society (that boosts creativity and the development of individuals and groups) and the modernisation and competitiveness of the economy.

And so stability, which is essential for the achievement of some of the most positive accomplishments in the democratic era, has found an essential support in Spanish society's inclination for negotiation – a search for pragmatic agreements with regard to objectives of mutual interest. A willingness for agreement that was in its day “consensual”, a term that relates back to the very essence of the Constitution of 1978 (which was drawn up after the end of the dictatorship) – a willingness for negotiated solutions to deal with the most important issues such as the fight against terrorism, the pensions system or the territorial structure of Spain with autonomous regions. And when willingness has faltered among political representatives and social agents, there has been a demand for wide-ranging pacts on behalf of the general public. State pacts as the ideal instrument for dealing with problems of enormous importance. Spanish citizens are in favour of agreements, as much in eras of governments without absolute parliamentary majorities, as in those in which with the government has a wide margin for manoeuvre.

Stability and a willingness for compromise – two points of the triangle that has the third in Europe. The relationship between the three feed back into themselves virtuously. Stability leads to dialogue with Europe, which is in turn its best guarantor. And this willingness for compromise has contributed decisively to stability and to the process of integration in Europe as a shared objective, with results on both fronts (the other two points of the triangle), which has served to invigorate and maintain the search for pragmatic points of convergence in terms of common interest objectives.

Two successful collective approaches:

- **During the transition to democracy: looking forward (the declared aim: reconciliation, freedom, progress) and not looking back (a past of confrontation: ideological rivalry, social division, political hostility); looking outside (Europe as a long-held ambition) and not inwards (identity issues, fragmentation as a result of cultural and territorial differences).**
- **During the settlement that followed the founding of democracy: the positive interaction (the virtuous triangle) between (i) institutional stability (and gradually also macroeconomic stability), (ii) incorporation in the European integration project and (iii) a willingness to negotiate between social agents, and also majority politi-**



cal forces against a backdrop of even greater complexity (joining Europe, the fight against terrorism and establishing basic guidelines for the Welfare State).

III. A new crossroads

Self-complacency never helps, it isn't a good companion. And it was wooed for too long during the long cycle of economic growth (with its minor ups and downs) that linked (in most of the world economy) the last decade of the 20th century and the start of the 21st. A belief even took hold that was almost unanimously accepted (what some might refer to short-sightedness as a result of smugness) that progress by the advanced economies would never again be affected by large fluctuations capable of leading to deep and extensive downturns. From there, the perplexity and the generalised astonishment in light of the sudden change of scenario caused by the Great Recession of 2008 at the end of the first decade of the new century – first in the main Atlantic economies and later, during 2009, in the world as a whole.

“ Para ver lo que tenemos delante de nuestros ojos hay que hacer un esfuerzo permanente” (George Orwell)

European discontent

In Europe – the self-satisfied Europe that interpreted the fall of the Berlin wall as a definitive triumph of their values (the “end of history” as Fukuyama described it precipitately) – the unexpected and abrupt change that took place would end up provoking “the worst financial, economic and social post-war crisis (The White Paper on the Future of the European Union, presented by the Commission on 1st March 2017). A deep economic downturn (that we Spanish are extremely familiar with) that would become well entrenched for at least five years in countries in Europe's outer circle.

At least three facts that took place at the same time should be made reference to. The effects of these three would converge at the same point, provoking a shift in the EU's smug perception of its own possibilities.

The first, the difficulties of governance and articulation in the European Union came from, at the time, a double event. On the one hand, the ambitious and simultaneous integration of 12 states – those who joined in 2005 and 2007 (Croatia would join in 2013) with economies at very low levels of development and with extremely fragile institutional frameworks. A risky venture (although morally and historically justified) in favour of a Europe which had been void of liberties for long decades, that takes place on the eve of the events that would disrupt the given conditions while



the corresponding additions were being negotiated and agreed on. On top of the problems of governance and articulation that this would give rise to, we need to include, on the other hand, those that arose from the weak structure upon which the euro was launched – a form of money without a state and without a joint banking structure, and a common monetary policy without the necessary backing required in terms of budgetary and fiscal harmonisation.

The second event that occurred at the same time and that caused a change in circumstances was the unsuccessful outcome of the “Arab spring”. What was optimistically interpreted from the end of 2010 as a new wave of democratisation (this time from the other side of the Mediterranean, in Tunisia, Algeria, Libya, Syria and Egypt) would soon descend into all types of unrest: failed states, tribal conflict, and the spread of cross-border organised crime; bitter civil wars and massive movements of people as refugees or involuntary emigrants; humanitarian crises, the renewed appearance of dictatorial regimes and brutal terrorism both inside and outside the area known as the Arab world. A true eruption “of the great Islamic magma” (Ortega).

A third event would contribute to the complexity of the moment: renewed Russian imperialist dreams, as we move into the new century, with consummated shows of strength in some cases (such as the annexation of the Crimean peninsula), and noticeable tension in the area surrounding the Baltic States and Nordic countries. Two strategic flanks for the European Union, consequently leading to the ringing of alarm bells. Vulnerability of the eastern border and insecurity in the south, directly impacted by the events that are taking place on the other side of the Mediterranean. Vulnerability and insecurity (“strategic fears”), and the greater the isolationist shift by the United States (“our American friend”), the bigger they become.



On the European Union stage, the Great Recession of 2008 – that first hits the most advanced economies to then become established in countries in the south – coincides with several events whose effects will converge, creating a crossroads situation that could be described as historic because of its scope.

Here are three of the most significant:

- **Difficulties of governance that derive from the integration of the 13 states who have been incorporated since 2015 (10+2+1), with economies at uneven levels of development and very fragile institutional frameworks.**
- **The unsuccessful outcome of the “Arab spring” (starting with the events in Tunisia in December 2010), that would lead to major unrest: failed states, civil or tribal wars, the renewed appearance of dictatorial regimes, and criminality and terrorism both within and outside the region.**
- **The growing vulnerability of the southern and eastern borders of the EU: in one case because of what is going on in the territories on the southern side of the Mediterranean; in the other (with regard to the Baltic states and the Ukraine in particular), because of tensions with Russia, which has renewed imperial aspirations.**

The convergence of all these events will magnify the impact of the economic downturn in Europe. The slump in economic activity will immediately lead to high levels of unemployment, the main source of growing inequalities, and an increase in social exclusion. And not even the massive levels of public debt can prevent severe cuts in almost all areas of the state budget, including cuts aimed at helping those who most need it.

The loss of income, and all that this implies for large segments of the population, and more importantly, a reduction in expectations with regard to social advancement that has been created by a rarefied job market in those countries that have to bear the highest levels of unemployment will lead to discontent. And this discontent will lead to additional concern among those who are alarmed by the “refugee crisis” and the continual and massive arrival of immigrants (that is, those who managed to survive the crossing of that mass grave that the Mediterranean has become).

Added to this combination, which is already being affected by a wave of terrorism, is the less than exemplary behaviour of some of the ruling elites (in politics and business), and the apparent inability of the institutional mechanisms to deal with the unforeseen problems quickly and with a steady hand. What consequently came to pass shouldn't have been a surprise. Austerity plus corruption: a social bomb: (Angus Deaton).

A once reassuring sense of security among the population, with the idea of probable improvements and advancement as much on a personal as well as a collective level, soon turned into a deep feeling of “discontent” (the term chosen by Freud in 1930, *Civilization and its Discontents*, to describe another source of discontent, of indefinable discomfort). A dangerous, insidious



state of mind – ranging from unease to indignation – that will feed into all kinds of isolationist and defensive movements.

The economic downturn has led to greater tension in societies placed under the double pressure exercised by globalisation and digitalisation.

The left versus right conflict has been substituted by those of globalisation versus nationalism, youth versus the elderly, digital versus non-digital, the city versus the country.

Reactionary attitudes, in short. In the face of globalisation (as far as it is considered a cause of the international economic downturn), a defensive reaction based on protectionist policies. In the face of immigration (one that dissolves homogeneity and specific cultural principles), controls, barriers and walls, like those that were erected in the Balkans route between Turkey and the Mediterranean and the heart of Europe. In the face of the elimination of borders (that would lead to the spread of adverse factors), renewed interventionist tendencies and closure. In the face of supranational integration, attitudes favourable to renewed nationalisation. In the face of cosmopolitanism, a rejection of foreigners, leading to the appearance in short of hate crimes.

Two perverse (and false) word associations:

Refugee = potential terrorist

Immigrant = someone who is a threat to the welfare of the native population

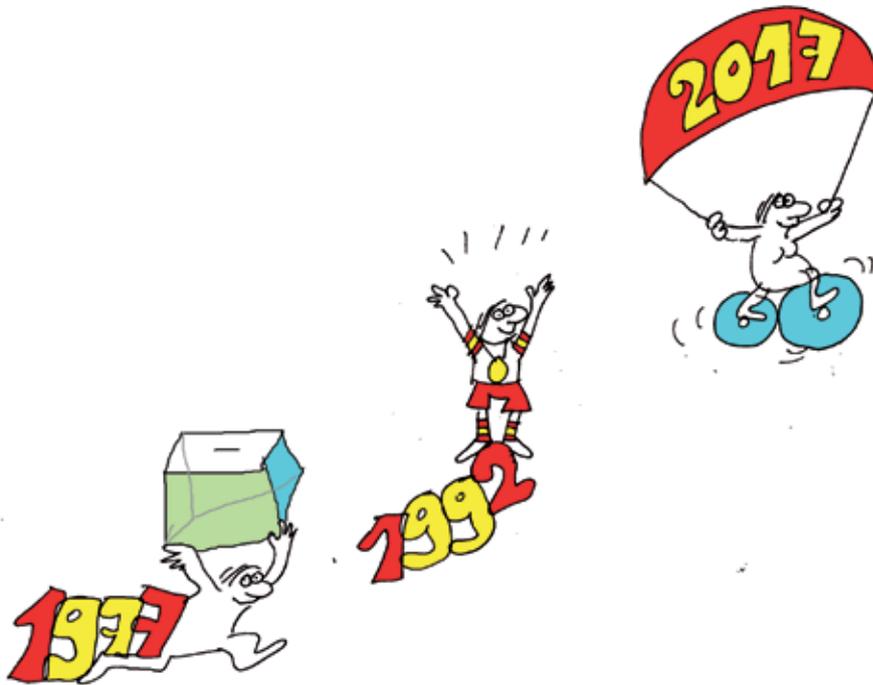
Fertile territory in all cases for populism – the perfect breeding ground for xenophobia. Fertile territory for Europhobia too. Brexit (still with all its complex elements) came to encapsulate all of this perfectly. And it served to encourage a good number of national forces and movements with the backing of an electorate that had (with a few nuances) a rejection of the European project of integration in common – a wave of nationalist, anti-European populism. There are more than enough reasons, therefore, to talk about a crossroads: a delicate situation, a place where two or more paths cross... perhaps even an “existential crisis” of the European Union (Juncker).

“Any sad day in 2017 will still be much happier than any of those that our ancestors had to face on the battlefield” (Jean Claude Juncker)

The tide is turning!

With that all said and done, none of the signs that point to the viability and revitalisation of the joint enterprise should be underestimated.

One decade after the start of the turbulence initiated by those in the North American mortgage market (that would end up upsetting the international economic stage), the European Union, after having had to fall back on emergency plans (global or partial rescue plans) to avoid the



bankruptcy of some national economies, has shown an enormous capacity for resistance, which can be qualified as nothing less than “formidable” (*The White Paper* by the Commission). No member has been left to fend for itself, the euro is still the single currency, and the dense institutional network that grants competences and authorities in the Community structure, although shaken, remains steady.

In turn, the circumstances (“Europe will be forged in the crisis”, as Monnet claimed at the time) have created the impulse to tackle issues that hadn’t been dealt with during the previous boom period, or that had been blocked (by the UK, in the majority of cases). These issues include the creation of a joint banking structure, fiscal harmony, a common budget, a treasury with the capacity to emit euro bonds (fully mutualised or not)... economic governance of the Eurozone, together with the determination to advance in the development of a Common European Security and Defence policy and also in terms of a Social Europe. A complete revitalisation of the joint enterprise. Meanwhile, the path of economic growth is becoming brighter again with a moderate but steady pace of development in practically the whole of the European Union one year after the referendum in the UK. Interestingly, it was the economic downturn and the weakness of the European economy that were the driving forces behind populism in the first place!

“Europe will be forged in the crisis and will be the sum of the solutions adopted to overcome them” (Jean Monnet)

Brexit and the Trump effect have given new impetus to the European project.



The verdict of the ballot boxes, during the busy electoral calendar since the end of 2016, would, in this sense be consistent. They showed a retreat of nationalist forces and populism, preventing majority positions or putting a stop the rise of those who had been the most vocal in their “anti-European” stance: first in Austria, later in Holland and in Germany (with results as clearly pro-European as those obtained in the most populated *land*, the federal state of North Rhine-Westphalia); almost simultaneously in France, with the presidential elections and those for deputies in the National Assembly; and also local elections in Italy and the general election in the UK, all these before the middle of the year.

And there’s more. On the public arena, both civic society initiatives and leaders are starting to appear, both of whom are pledging their support for the EU and calling on citizens to support the joint enterprise. “The Pulse of Europe”, a public appeal by a handful of young Germans in Frankfurt hardly a year ago, and soon supported by a hundred or so cities in a dozen countries, is a good example of this. There are, without a doubt, causes for unease and concern; but there are also good reasons for feeling optimistic and continuing to believe in the continental union.

“More education to tackle populism (Jean Tirole), and more economic training, especially.

A coincidence to consider: the voting tendencies of young Britons in the Brexit referendum were mostly anti-isolationist; the Erasmus programme, which has seen nine million European university students pursuing their studies in another EU country, celebrated its 30th anniversary just recently.

The Spanish perspective

Spain, for her part, has also gone along with this frame of mind. An abrupt fall in economic activity after the long cycle of expansion, a rapid and swift destruction of jobs, drastic budget cuts, a fall in average income for families and, with that, significant indicators of inequality in terms of income (although not always in terms of wealth or assets).

Clear signs of unease among citizens that would be reflected in the elections, breaking the two-party hegemony that had been held for three decades. An obligatory rescue package to stabilise the financial sector, and recurring measures to combat an inflated public deficit. Hard times.

But eventually, this leads to a phase of lively recovery when the third five-year period of the new century comes to an end (in the last quarters of 2014 and all of 2015), with Spain leading the economic growth being registered in Europe. Of course, unemployment rates continue to be extremely high and public debt has reached dangerous levels; but the outstanding performance of the export market (which has reversed the trend with regard to the balance of payments) is an extremely valuable asset created during the lean years that we experienced. A genuine change of productive model.



In less than a decade, Spain has gone from having a current account deficit above 10% to registering a surplus: an incredible record. The result of a tremendous effort by Spanish companies to export and gain ground in markets all over the world.

A major advance, taking the world by storm, with Spanish society returning to levels of outstanding dynamism and creativity. In effect, an admirable capacity to overcome adverse situations. There are also reasons for us to look to the future with optimism.

During the worst of the economic downturn, Spanish society has been a welcoming and caring society, without demonstrating any signs of unrest (in comparable terms), and with very few examples of xenophobia or a rejection of immigration.

IV. An open future

Permanent change

The future is always an open book, because the future hasn't been written yet. This is possibly more relevant these days with the most significant feature being permanent change and its level of intensity as it rides on the back of the rapid expansion of scientific and technological innovations. The future is open.

Rather than any sophisticated forecasts, in the following section we'll be looking at some trends that are already playing a part in the medium-term. Following on from that, we'll set out a few objectives that need to be afforded priority status, given the assets we've got available.

To start, we need to look beyond our borders. In the future, it won't be a question of finding solutions at a national level; the main issues (poverty, security, cyber security, climate change, migration...) can only be resolved with any degree of success through international cooperation or by virtue of complex multinational agreements. There won't be any lasting solutions (we'd like to repeat) at a national level to the challenges that need to be dealt with, or in the opportunities that need to be taken advantage of. So, it's a question of looking well beyond our borders. There are four trends that need to be considered. We'll continue with a schematic approach:

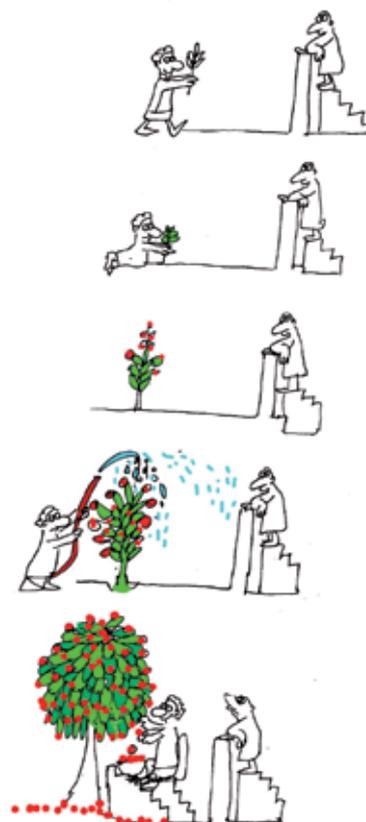
- The multidimensional deployment of the technological revolution is still in its initial phases, with the internet and robots as the hallmarks of this. Analogical life merges with digital life. The simultaneity of communication implies "a form of turning point in the history of humanity" (Safranski), turning us into global inhabitants of a global planet. And automation is not only aimed at saving time and streamlining a wide range of operational tasks (guaranteeing at the same time precision), but also at creating a kind of alternative "second nature" that could even lead to changes in the very nature of human beings.



“The technological disruption that is taking place now, considered objectively, is without precedent. It is four times more than that caused by the industrial revolution in its potential for having an impact on per capita GDP. And it’s changing everything from the economic system and the business sector to society, culture, politics and sport (...)

This is leading to a change in business models that is creating new ways to generate wealth. The key is in how to share this new generation of wealth and above all, how to do so in a timely fashion, taking into account that the new wave of wealth is affecting the old. The question is, what is the social contract that we want to develop for this new society?” (José María Álvarez Pallete).

Digitisation, artificial intelligence, a powerful and all-encompassing wave of disruptive technologies. In effect, one that strengthens innovation in the main fields of science, with significant implications for our way of living (in terms of security, privacy, ubiquity, and also in the way we relate to one another, in consumer patterns and in productive structures, business demography, employment and professional qualifications, associative dynamics and social relations of all sorts, electoral practices and citizen participation in the political arena... Long-term effects in the public and private spheres that “in a not too distant future, will be similar in magnitude to the invention of writing and printing” (Serres).





The increasingly intelligent forms of digitisation – computers that can acquire knowledge, virtual assistants, robots that can interact with people...– could also substitute highly-qualified professionals and managers. These robots will have sensorial perception, cognitive capabilities and the ability to acquire language, mobility... and even leadership skills. It isn't a pipe dream – this generation of robots is already capable of interacting on a social level and of exercising a great deal of influence on humans.

We've entered the "technological age" par excellence. For the first time in history, the five largest companies in the world in terms of market capitalisation are technological. Since the middle of 2016, the new big five have occupied the top positions in the corresponding ranking: Apple, Alphabet (Google), Microsoft, Amazon and Facebook. And the symbolic significance that this has is even more if you take into account that among those who have been superseded are Berkshire Hathaway, Exxon or Johnson & Johnson.

Scientific progress and technological innovation is more than ever a result of accumulated dynamics, and will require permanent receptive, collaborative and adaptive capabilities by both economies and societies. Digital Darwinism will punish those who don't act: in evolution, it isn't the strongest who survive but those who best adapt.

The digital revolution requires a new regulatory and values framework on a global scale.

The European parliament can be a pioneer in passing a law on civil robotics, regulating the rights and responsibilities of robots. The future won't wait.

Competitive economies and inclusive social structures; economic growth with social cohesion: the combination that will guarantee a sustainable growth dynamic. "Inclusive growth for all" (Justin Trudeau).

In periods of rapidly changing technology (and of intense economic growth), inequality tends to increase. The benefits of the innovations and of progress in general don't reach all agents and social sectors simultaneously. But inequality tends to get reduced as the technological advances become more generalised and growth achieves a certain degree of continuity. Ensuring that inequality doesn't lead to social exclusion has to be a priority policy objective and one for civic society too. Compared to the 19th century industrial society model, society of our times has to be inclusive, using all the benefits from technological transformations adequately, reaching their full potential.

In the medium and long term, successive phases of technical change have not reduced overall employment. The same goes for automation. Distrusting technological change because it might lead to the destruction of jobs lacks any logical sense.



- **Rapid urbanisation.** Since 2015, the percentage of the population who lives in cities has been over 50% of the world total (reaching 75% in Europe). In 2030, urban populations will represent 60%, and 40 cities (the majority in developing countries) will be home to more than 700 million people, with each one of these vast cities having more inhabitants than most countries. The speed of progress is extraordinary. In Europe, something that evolved over a period of 200 years is occurring in 20 in China and India. Urban growth is, in part, and paradoxically, a consequence of the development of the knowledge economy. Instead of leading to territorial dispersion, the new information technologies are being concentrated in cities or in especially redesigned urban zones. Leading sectors in research are becoming well established in cities: biotechnology, genetics, new materials, energy, software or artificial intelligence. And the added value of related employment tends to grow according to the size of the city – the bigger the city, the greater the growth: redefined agglomeration economies (Krugman).

The rapid advance of technology combined with the economic and social dynamism of the big cities are driving forces that interact with one another, pushing forwards relentlessly.

The growing importance, therefore, of cities as residential centres and providers of professional services; as centres of technical infrastructure and social amenities; as centres of entertainment and consumption, recreational and educational; as productive and innovative ecosystems; as entrepreneurial capitals. The rapid advance of technology and socio-economic dynamism in cities reciprocally feed into one another. The combination of buildings and infrastructure (roads, junctions, transport, parks and public spaces) will be the most common landscape, and the patterns of this development will depend a lot on advances in social equality.

As a side note, given that cities these days produce 70% of the world CO₂ emissions, environmental policies (and those related to climate change) will need to be focused on cities. And this will be an issue that will continue to gain importance in the following decades.

- A shift in the world's economic centre of gravity (with demography and the economy opening the way) towards the Asia-Pacific region. The axis that the three first industrial revolutions (based on steam, internal combustion and electronics) placed in the Atlantic north, has become relocated where it used to be (the "The Empire at the Centre of the World") with the additional help of the economic tilting towards the Indian Ocean side of Africa – the continent with the greatest opportunities for growth, given its relatively weak current position.

The Indo-Pacific maritime corridor will gain growing economic and strategic importance.

As far as the European Union is specifically concerned, will this lead to a lack of influence or importance for Europe? Yes, in terms of a loss of power on a global scale: demographic, military, political (diplomacy), economic and scientific. Also, although not to the same degree, in terms of "soft" power (Nye), when you take into account the obvious domination by the USA



and Asia of the cultural online industries. But not in the other and deeply meaningful, sense of the word: the loss of European power goes hand in hand with the extension of its own civilising values, that are European in nature: science, the market and democracy. This “abduction” of values (Diez del Corral) (that won’t be free of exaggerations) is in effect a triumph of the Western world and, more importantly, of Western Europe (that continues to lead – we shouldn’t forget – development policy on a global scale).

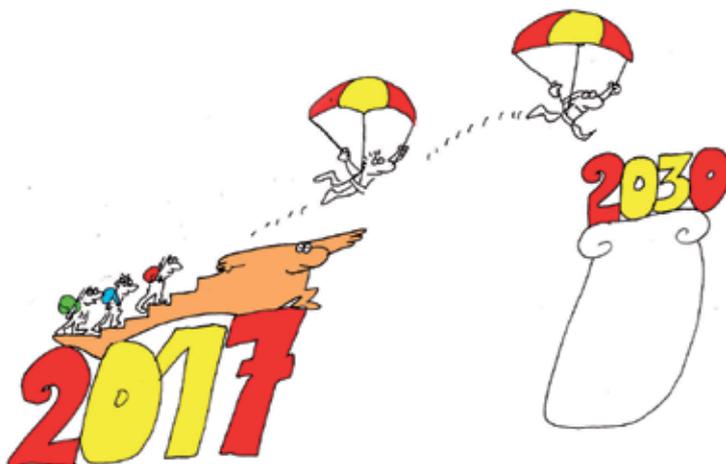
- The fourth noteworthy trend is of a different nature. It’s related to the growing participation of women in all public fields and, in particular, in business management and leadership. In Europe and the western world in general during the 20th century, women have been achieving rights and being offered work and leadership opportunities, accelerated by the supportive role they played in extreme and critical situations, in particular during the two world wars (just look at the timeline for the achievement of universal suffrage rights in one or another of the democracies). A kind of deep and silent revolution with multiple effects in terms of family structure, the birth rate, the job market and modes of behaviour by both women and men. The 21st century will see the advance everywhere of another all-encompassing and radical change in our societies, with the recognition of women’s rights

European variations

From the strictly European perspective, this schematic account of the relationship between these trends should include a further two points.

- The *demographic winter* (in comparison to the pattern in Africa and, in part, in Asia and Latin America), which is caused by very low levels of fertility, is further distancing the whole continent away from the possibility of generational replacement. A trend of the utmost importance from whichever angle you look at it: fewer people are being born, and they live longer.

On the one hand, fewer births, and its significance has already been alluded to: a collapse in the number of inhabitants in Europe (including those countries which aren’t fully integrated) as a proportion of the world total. If 100 years ago this figure represented almost a fourth, today it’s hardly a tenth, and the forecast is that it won’t be much more than 6% by 2050. It’s true that demographic forecasts often don’t come true, but at the moment, all studies seem to point to this outcome.





Europe needs immigrants.

The number of Europeans decreases while demographic growth in Africa will be the highest in the 21st century. The UN predicted that, in the next few decades, at least half a million people from Africa, mostly young people, will try to reach Europe every year.

At the same time, there's the issue of an ageing population to consider (better life, longer life expectancy). Of the 30 countries in the world with the highest percentages of people over 65, 29 are European (the other is Japan). A continent with more grandparents than grandchildren (in Spain, a million more), with a whole series of repercussions for the sustainability of the welfare system, the capacity for adaptation to innovation and disruptive technologies, behavioural patterns and electoral tendencies, and the risk of social fragmentation based on age.

A topic of the utmost importance is the “demographic winter”, which has an additional component in Spain. As a result of the extremely unequal territorial distribution of the population, this mostly affects rural areas (namely approximately half of the more than 8,000 municipalities spread out over Spain). And given that the least populated territories are also those that have the largest degree of imbalance in terms of the ages of their inhabitants, with an overwhelming predominance of the elderly, the generational and geographic dichotomy in Spain is not just an imagined scenario but an observable fact today.

- The second point (not exclusively applicable to Europe) is that Europe is experiencing a significant degree of tension that is affecting an aspect of the political system that has been part of its identity since the previous century: representative democracy. Tensions with a variety of origins: abnormalities acquired over time (the excessive power of political parties, patronage practices and the granting of favours, opacity, corruption...); a difficulty to fully incorporate the new forms of relationship that online communication has given rise to between representatives and those who are represented; a digital degradation of the public debate; openly anti-establishment tendencies of diverse ideological profiles with alternative proposals to direct or representative democracy... as if representative democracy was suffering what in construction is known as “material fatigue”. This has its roots in a cause that is related to quality: the quality of institutions and the ethical behaviour of those who run them. In Europe, democracy isn't a problem of quantity but of quality – the moralisation of politics. Improve or languish, renewal or decay.

In Europe, the aim isn't to expand the area where there's democracy, but to improve it in terms of quality – quality with regard to representative democracy as a condition of its continuity. Democracy is fragile – a “plebiscite” that needs to be nurtured “every day” (just as Renan understood the concept of nation).

The aim is to increase its quality, providing democracy with an ability to combat its loss of appeal among certain sectors of society, and in order to neutralise any erosion that could be caused by populist or anti-establishment movements.



The aim is also to create incentives so that the best go into politics, rather than the reverse, which is what happens so frequently these days.

“Europe isn’t a supermarket. Europe is a shared destiny”.

“Europe isn’t only a programme: it’s an ambition” (Emmanuel Macron).

The same could be said of Spain, with the important addition here of tensions from a territorial State structure (the State of the Autonomies), that, over time, has increased, and is in danger of becoming a persistent cause of political, social and economic instability.

**“Spain will be for everyone, created by everone, or it won’t be anything at all”
(Pere Bosch i Gimpera).**

Spain: significant assets

In order to move towards the future that these trends have defined, Spain isn’t without its assets. If you consider some of Spain’s current strengths, you couldn’t say that she’s poorly equipped. In fact, she’s loaded with high-quality assets that could be of use along the way. Call them what you want: “skills”, “strengths”, “assets”.

Their relationship to this topic, briefly stated, can be broken down into two areas: the given conditions (at least, up to a certain point); and acquired abilities, capacities and skills.

Two components, at the same time very different, form part of the first group: Spain’s geographical location, and Spanish as an international language of communication.

- Spain’s geographical position has yielded so much over the centuries (both during the period of Antiquity in the Mediterranean region and during the period of exploration and empire across the Atlantic). Spain is unparalleled as a bridge between the three continents: Europe, America and Africa. Also, as a link between Western Europe and Asia as a result of the multiple transoceanic connections that Spanish-speaking countries of the Pacific basin have with the largest economies in this continent. An advantageous position that, in turn, brings to mind another valuable geographical condition: Spain is an extensive territory and relatively sparsely populated (in comparison to the European Union in general), with the capacity to receive, take in or provide shelter for several million temporary visitors or permanent residents

An advantageous geographical position:

- **The possibility of increasing Spain’s role in the European Union**



- a bridge between Europe and the Americas
- a bridge between Europe and Africa
- the potential to be a link with Asia through the Spanish-speaking countries of the Pacific basin.
- Territorial advantages due to its size and population
- Advantages pertaining to its citizens' average educational level

- Spanish has now become the second language of international communication (after English), as a result of the number people who speak it as their native language, and the total that includes those who have it as a foreign language. It is, therefore, an asset of singular value. In a world that's breaking down barriers for production, trade and financial transactions, and in a period that envisages the continued deployment of the knowledge society, international languages of communication have become more useful – Spanish among them.

Spanish, the second language of international communication. A geopolitical, economic and cultural dimension. Spain and its possibilities for co-leadership of the Spanish-speaking world.

- A multinational and multi-ethnic language, a binding agent for the Spanish-speaking universe, with a high profile in the Atlantic and Pacific regions.
- The future of Spanish in the USA: the language of Hispanic migrants.
- The opportunities offered by Africa's growing population.
- The multiplier factor from commercial transactions and financial flows.
- A lever for the internationalisation of business.
- Prime material for cultural industries with enormous potential.
- Opportunities for an Ibero-American space for the circulation of talent and scientific investigation.
- A basic component of the Spain Brand and of its international promotion

The contribution of the Spanish language to the economy has been the subject of recent investigations, highlighting the most significant aspect of this: the high degree of multiplier effects that a common language provides (somewhat like a common currency) on commercial and financial exchanges between the countries that share it.

The calculation for the capacity of Spanish to act as a lever, generating multiplier effects for commercial exchanges and investment flows, throws up a few decisive results:

- The use of Spanish multiplies by 4 the number of commercial exchanges that take place between Spanish-speaking countries. This means that they would be four times less likely to occur (provided that all other variables remained constant) if Spanish wasn't the common language.



- **Sharing Spanish as a common language multiplies by 7 the bilateral flows of foreign direct investment (FDI), with the common language acting as a powerful instrument of business internationalisation within the Spanish-speaking zone, with significant savings on transactional costs, a saving which almost reaches 2% of the total revenue for some multinational companies.**

Valor económico del español (Fundación Telefónica, 2016)

Without any particular promotional support for such a long period of time, Spanish could play a key role in increasing the importance of Spain and all the Ibero-American community on the world stage if it is correctly considered a merit good – an objective of a true State policy.

In the second group (the one regarding conditions or acquired skills, the result of all the preceding work and events), three stand out among others: physical capital, the composition of human capital, and certain Spanish society attributes.

- The existing technical infrastructure and social facilities that are available in Spain today are of very high quality, both in absolute terms (per inhabitant and per square kilometre) as well as in comparative terms (both within and outside Europe). The degree of modernisation carried out since the 80s has been extremely ambitious. Although there have been shortcomings (particularly with regard to freight transport, for example), the upgrading and development of railways and means of land transport, ports and airports, computer networks and telecommunications, as well as power installations, has been a priority objective for several decades. And the same is true in the field of social amenities of all kinds, both within large cities and also in the municipa-



lities dispersed throughout rural Spain, as a response to the growing demand for health-related, recreational, sport-based, cultural and educational services in broad terms. This is one of Spain's unquestionable strengths from any point of view, and in particular, a competitive advantage of the first degree for our economy, above all in relation to the sectors linked to Spain's world leadership in terms of tourism.

Qualitative and quantitative potential for foreign tourism, counting on institutional and social support, and based on:

- **its location and territorial and climatic benefits;**
- **the wide ranging experience of the hotel and entertainment industry;**
- **the provision of transport and social amenities infrastructure;**
- **an efficient organisation of services and the supply of merit goods (in terms of security and health);**
- **attractive lifestyles or ways of living**

- Spain can also count on a very valuable source of human capital with regard to its entrepreneurs and managers, as well as its workers. In contrast to the previous commonplace belief of a deficit in terms of entrepreneurial spirit and management capabilities, the last few decades have clearly shown the opposite. Spanish companies knew how to adapt in a short period of time to the new competitive conditions that the common European market provided, and have later successfully undertaken an astonishing process of internationalisation, creating new markets and carrying out business all over the world.

The social acceptance of the role played by private enterprise is an essential condition for strengthening business creativity.

An understanding and social appreciation of business functions.

Corporate responsibility as an essential precondition for an improved valuation and reputation of business and businesspeople in general.

The company as a source of economic value creation (in terms of employment and salaries and social value (in terms of the development of personal skills and professional capabilities, relationship networks and interpersonal links).

The company and its capacity to promote change and adapt to it.

Freedom of enterprise and democracy - one without the other is not possible.



None of this would have been possible without talented and ambitious entrepreneurs, without vocational businesspeople, professionalised and well aware of corporate social responsibility, or highly qualified managers. And, of course, without forgetting to mention all the workers with high levels of education or professional training who are also responsible for the extensive internationalisation of Spanish companies in the most competitive and demanding field of B2B services such as engineering and security, energy and civil engineering, consultancy and design, communications, computing and logistics, finance, etc. And of course, without ignoring the role that hard work (carried out with intensity, competence and discipline) has played in the achievement of these accomplishments by all the men and women who make up the workforce in these companies. And the same can be said for all those self-employed workers and volunteers who work hard on a daily basis on productive ventures or caring social work.

High level business people and specialised workers.

A propensity for innovation. Creativity.

Professionalisation and a high quality of management.

Quality professional training.

Awareness of corporate social responsibility, which is increasingly demanded and practised.

Leadership in the ranking of Business Schools.

- Last but not least, there's society – a society ever receptive to change, whose behaviour during the hardest of times has given us numerous examples of solidarity and constructive attitudes. A society, the Spanish one, with an outstanding capacity to integrate and welcome, where others segregate and expel; tolerant and permissive where others reject or condemn; with few examples of unrest in the public arena; with multiple examples of creativity; with associative dynamism. Very far from the stereotypes that still persist of a weak social fabric – of a weak civic society. The Spanish society that enters this 21st century has a lot of attributes typical of an “open society” in the style of Karl Popper – a type of society that frees and feeds our creative and critical faculties.

Spanish society, an open society (Popper): free, pluralistic, creative, critical.

Clear proof of solidarity: family networks, numerous initiatives by civic society and religious institutions to combat exclusion and poverty, generosity with regard to adoptions and the donation of organs (exemplariness and world leadership of the National Transplant Organization).



A social fabric, in general terms, with a great capacity for cohesion and, in turn, for individual and group initiatives.

Openness with regard to new ways of working and business relationships such as the “sharing economy” and the “circular economy”.

V. Civil pacts for joint leadership of the European project

The Círculo de Empresarios was formed forty years ago, through the initiative of a broad group of outstanding business leaders and directors, as a think-tank with the aim of dealing with the issues that face us – issues that were thrown up on the one hand by the recession coinciding with the end of Francoism, and on the other hand, the construction of a democratic system. Over these four decades, the Círculo de Empresarios has focused its efforts on the achievement of objectives that are considered fundamental for the economic and social progress of Spain:

- The defence of the market economy;
- The momentum provided by entrepreneurship and private enterprise.
- The unity of the national market, breaking down any internal barriers or obstacles;
- The promotion of the export market and business internationalisation;
- The increase in the size and efficiency of companies in order to improve in terms of competitiveness and to dedicate more resources to research and innovation;
- The promotion of good business practices and good corporate governance;
- The strengthening of civic society, the cornerstone of an advanced democracy in an open society.

Formulated these days as a Collective Project for Corporate Responsibility, the Círculo de Empresarios clearly opts for the capacity of the economy and Spanish society to deal with issues both old and new. Spain today isn't a country lacking in vitality with folded arms in the face of daily challenges; and it hasn't come out of a severe recession dazed, defenceless and unarmed. On the contrary, Spanish society has given us numerous examples of dynamism, with exemplary solidarity on a daily basis. In response to the shrinking of the internal market during a long five-year term, Spanish companies have made a tremendous effort to export. And the fact that our democracy could be manifestly improved isn't a sign of institutional paralysis or a lack of ethics. There are reasons, consequently, for self-esteem.

For a degree of self-esteem that, instead of leading to self-complacency, should provide confidence. Confidence in our abilities, confidence to act with determination – the necessary confidence to face up to challenges ahead of us. An opportune time for companies, the best companies, to demonstrate with their good work that they are capable of achieving sustainable and inclusive economic growth without abandoning the concept of the free market and without renouncing globalisation



– focusing on innovation, and adopting the long term as an objective for management culture.

Building up a good corporate reputation these days means that companies need to play a new role in order to deal with any negative effects (both material and those related to criticism or any bad press) that the recession has created, promoting the renovation of a social contract through a larger degree of fiscal transparency, a fair remuneration policy linked to productivity, and ongoing training for improved worker talent and skills.

Businesses also have to commit themselves to the sustainability of the Welfare State, and the protection of the environment (it's worth alluding to the positive reaction of large companies in the USA to Trump's idea of abandoning the Paris Agreement).

In front of us lies a future not devoid of dangers and uncertainty (as in any other eras), but one that is promising. Turning these potential benefits into a reality will require participatory attitudes, ongoing work, and a determination to do things well that always ends up leading to quality. Participation, effort, quality. This will ensure that Spain is not only a good country but also a country that works well. A better Spain for everyone.

Tackling two common misconceptions:

- *Young people of today will live worse than their elders and won't improve their baseline status; the path to progress will be blocked (the hypothesis of "secular stagnation" and mere speculation).*

It's certain that the new generations face a more complex world, but it's also one that offers unheard of possibilities and no fewer opportunities than their elders had.

- *Uncertainty, the differentiating factor regarding the future.*

No, at the very least this has been something that's been going on for the previous century, with regard to the technological innovations and political upheavals that have taken place (from the work by Galbraith, *The Age of Uncertainty*, which was published in 1977).

A culture of effort: the essential lever for long-term achievement.

- Effort instead of accommodating passivity
- Work and entrepreneurship instead of handouts
- Opportunities instead of grants or subsidies
- Merit instead of egalitarianism.
- Rights, but also responsibilities.
- Common moral values as the binding glue for social cohesion.



With this document in mind, the *Círculo de Empresarios* proposes the following four essential pacts.

As a complement to the civil pacts – a civic society observatory to ensure fulfilment of what is agreed on.

1. For education

The Spanish educational system should adapt to the new requirements and knowledge that both citizens and public institutions demand. An adaptation to a new socio-economic environment in which the digital transformation will mean that talent takes on a new degree of importance. It's necessary to boost the connection between education and the world of business, paying special attention to the development of dual vocational training, refresher training and entrepreneurial skills training.

Every educational system should be designed with the aim of durability – guaranteeing the principle of equal opportunities. In turn, this will lead to the creation of sustainable and inclusive growth. It's also important to have an understanding that this is undeniably linked to the dignification of the teaching profession. A quality educational system is only as good as its teachers!

2. For the promotion of employment

Sustainable and inclusive growth implies aspiring to full, quality employment. This means sharing the benefits from commerce, of digital transformation and globalisation. Stable and inclusive growth requires a corporate fabric and business structure with a considerable number of medium-sized and large companies – the ones that have the greatest capacity to innovate and internationalise, and guarantee better employment and higher salaries.

Also in Spain, the future quality of employment is dependent on the achievement of significant advances in productivity and competitiveness. This requires, on the one hand, adapting the regulatory framework and formulating economic policy with a long-term vision in mind. On the other hand, companies need to adopt a remuneration policy linked to productivity and the ongoing retraining of their own employees.

3. For the welfare state

The welfare state of the 21st century should achieve the right inter-generational balance, providing resources or support for increased birth rates and the incorporation of women into the job market, favouring ongoing employee refresher training, ensuring access to health, social services and the pension system, and catering for the most vulnerable and least well-trained segments of the population.

The practicality of this depends, on the one hand, on the capacity of public resources. As a result, it's essential to control the level of public debt and the management of public spending, as well as ensuring the efficiency of the tax collection system, assuring aggregated budget equilibrium in a complete financial cycle.



On the other hand, responsibility falls on all citizens: users and receivers of the wide range of guaranteed benefits, and those who support the system by fulfilling their tax obligations.

4. For institutional quality

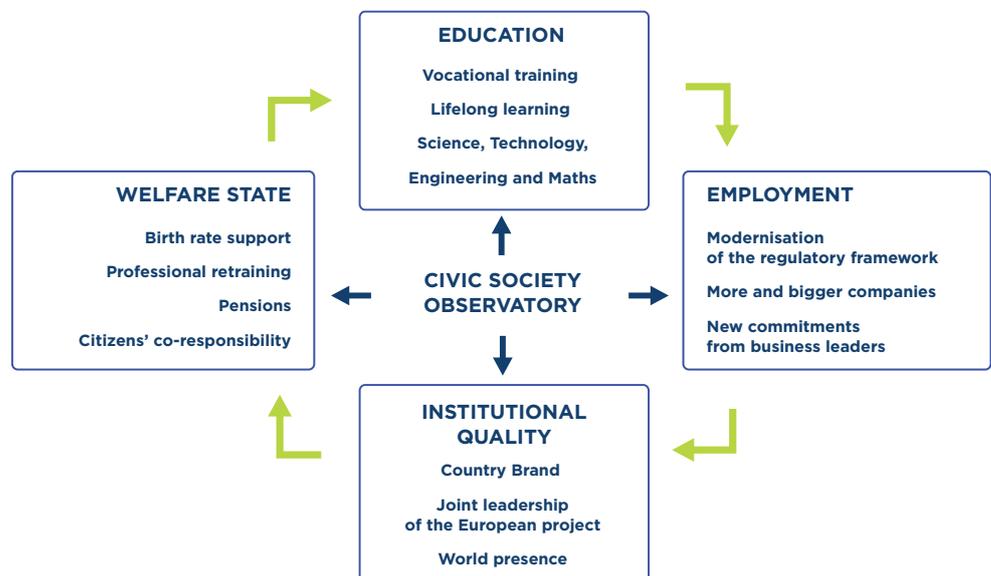
The competitiveness and prosperity of a country is related to its legal and institutional framework – essential elements being judicial security and observance of the law. Institutional deficiencies facilitate corruption and generate costs that place additional burdens on society in general, conditioning dynamism and inclusive economic growth. On the other hand, quality institutions bolster efficiency, increase investment and innovation, boost confidence and lead to the setting up of companies and employment.

With transparency and the independence of regulatory bodies and the judiciary, institutional quality should be established, guaranteeing, in turn, economic liberty and financial freedom, which is typical of countries with lower levels of corruption.

At the same time, an improvement in institutional quality should lead to a higher profile for Spain on the global stage, validating its aspiration to jointly lead the European project.

Democracy is also a plebiscite that takes place every day - a never-ending task that cannot be treated as something completed and perpetual. Democracy requires care and attention by those who it shields and protects as free citizens.

These are the four civic pacts that, by interacting with one another, will create a kind of circular and productive space that could be described as a stimulating container for inclusive growth.





An observatory of civic society to ensure the fulfilment of any agreement is seen as a desirable complement to this. An observatory in the shape of a diverse and permanent forum, from which the acquired commitments can be monitored and tracked. It could also act as a pedagogical tribune to report on (in the form of periodic reports) any achievement of its successive accomplishments. A participative forum, in which there is space for reputable opinion centres and prestigious associations, committed to the general good, and worker and business organisations. This composition would create a melting pot comprised of the most caring and concerned citizens who are mindful of the future.

The *Círculo de Empresarios*, with the experience that it can provide from its forty years of service, offers its commitment and participation.

