

Research paper on the economy of spain

[Parts of the World](#), [European Union](#)



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Abstract

The Spanish economy was not adequately developed until the 1980s. It was liberalized when Spain joined the European Union (EU) in 1986. The government then began numerous programs aimed at economic reforms. In the 1990s the economy demonstrated steady progress until 2007 when it began to decline. In 2009, it contracted by 3. 7% when compared to 2008 when a growth rate of 1. 1% occurred. This was caused by many factors including; reduced external and domestic demand; decline in international environment; struggling stock markets; burst real estate industry; and high unemployment rates. The Spanish government has put several measures in place to consolidate its economic position. This includes tax increases and acts like The Immediate Action Plan, 2010 and the Sustainable Economy Act.

Overview

The Spanish economy was not adequately developed until the 1980s. It was liberalized when Spain joined the European Union (EU) in 1986.

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The government then began numerous programs aimed at economic reforms. In the 1990s the economy demonstrated steady progress. This was driven mainly by European subsidies and mass tourism. From 1997 to 2000 Spain registered a mean economic growth of above 4%. This growth however declined in the year 2002-2003 to 2.7-3%. This economic growth increased to an average of 3.54% in the period 2004-2006.

It once again declined to 0.4% during 2007-2009 (Datamonitor, 2010).

In the latter half of 2007, Spain's economic growth began to decline. The year 2008 saw the economic growth decrease to 1.1% (Stability

Program, 2009). The price rise which had been speculated in the real estate industry and property boom ended. The economy was worsened by the global financial distress and rising inflation coupled with weakened domestic demand within Spain. Spain experienced deflation in 2009 (-3.1%) due to declining prices experienced in the latter half of 2008. There was budget deficit experienced in 2008-2009. The government of Spain has in the recent past announced various measures to increase the liquidity in the system (Stability Program, 2009).

Monetary and Fiscal Policies

As a member of the EU, Spain gave up control of its monetary and fiscal policy to the ECB (European Commercial Bank). The Bank of Spain (central bank) implements monetary policies passed by the ECB. The Bank of Spain is independent of the government in compliance with the 1992 Maastricht

Treaty. It therefore enforces strict limitations on how the how the government uses money to disburse loans (Datamonitor, 2010).

Spain's government formulated a plan for consolidation in 2010. This included specific taxes and lowering current expenditure. In January 2010, two plans were approved to reduce public spending in Central government. These are: The Immediate Action Plan 2010; and The Austerity Plan 2011-2013. In addition, measures were taken to improve public finance sustainability. An example is the Sustainable Economy Act which was approved in February 2011.

Social Analysis- Unemployment and Aging

The main socio-economic challenges are aging and unemployment. The unemployment rate has been reducing in recent years. It has fallen from above 17% (1997) to 11. 3% (2008). This was still above the European average (7% as at 2007). In 2009, rates increased due to a slump in the construction sector and slow down in industrial activities. It is forecasted that 2011 will demonstrate an employment growth rate of 1%. (Datamonitor, 2010)

Conclusion

The Spanish economy was growing consistently for 13 years until 2007 when it began declining until 2009. In 2009, it contracted by 3. 7% when compared to 2008 when a growth rate of 1. 1% occurred (Datamonitor, 2010). This was caused by many factors including; reduced external and domestic demand; decline in international environment; struggling stock markets; burst real estate industry; and high unemployment rates. This has led to the Spanish

government incorporating measures to strengthen the fragile economic climate.

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