Institutional determinants of high unemployment—the case of Andalusia
Manuel Muriel

Abstract
This work aims to shedding light on the nature and causes of severe unemployment in the Spanish region of Andalusia—34 per cent of the active population, three times the EU average. Far from explanations based on neoclassical economics or external to the region or simply truisms, I sought the ultimate determinants of a high and persistent unemployment permanently above the Spanish average.

The origins of modern Andalusia go back to the Early Modern Age when most Iberian countries amalgamated into a single entity. However, unlike its northern counterparts Andalusia’s predecessor al-Andalus was a Muslim country and its incorporation into the Western European world was implemented through forced assimilation.

Five centuries after the conquest, the transposition of northern institutions in the south has resulted in a backward region with age-old problems of economic development and unemployment. I brought together elements such as violence, landownership, trust, and the role of the state from the point of view of evolutionary economics.

Key words: Evolutionary Economics, Institutions, Labour Economics, Unemployment, Economic History
JEL Classification: B52; D73; J23; Z13
EAEPE Research Area: Social Economics [M]

1. Introduction
The great contributions of institutionalism are the idea that institutions shape individual behaviour and the use of an enhanced concept of power in economic analysis (Geoffrey Hodgson, 2000). Also, it is more suitable to addressing historical and evolutionary matters

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and their epistemological constraints. In addition it is appropriate for developmental economics (Hodgson, 2000): the enquiry into the nature and causes of high and persistent unemployment in Andalusia.

According to North (1993, p. 2), “neoclassical economics has two main shortcomings: first, that institutions do not matter; and second, that time does not matter”. His view of institutions as “the rules of the game” is particularly suitable for our purposes and two main strands can be identified: the first focuses on individuals’ constraints in the interests of a wealth (or utility) maximizing principal (North, 1981); and the second on individual’s guide to human interaction (North, 1990).

Institutions, according to North, “include formal rules, written laws, informal norms, and shared beliefs about the world, as well as the means of enforcement” (North et al., 2008, p. 4). North (1981) proposes a theory of institutions with three pillars: first, property rights that describe the individual and group incentives in the system; second, the state that specifies and enforces property rights; third, the ideology that shapes the different perceptions of reality and affects the reaction of individuals to the “objective situation” (Rostow, 1982). Ideology plays a role in shaping both market exchange and economic evolution: its importance directly depends on the cost of measurement and enforcement of contracts (North, 1992). Information is not only costly but also incomplete, and enforcement is not only costly but also imperfect (North, 1992, p. 29).

Unlike disembodied models of neoclassical economics, institutional economics admits the role of culture in the functioning and evolution of economic exchange. Culture can be defined as “those customary beliefs and values that ethnic, religious, and social groups transmit fairly unchanged from generation to generation” (Guiso et al., 2006, p. 2), and also as the shared understanding of the economic agents that affects their strategies and trust, whether interpersonal or institutional (North, 1990). North says that mental models depend on culture and are perpetuated by “the intergenerational transfer of knowledge, values, and norms which vary radically among different ethnic groups and societies” (North, 1993b, p. 1). Mental models, or belief systems, need to be taken into account to understand any social structure (Teraji, 2008). According to North (2005) beliefs systems and institutions are the two sides of the coin, one that represents humans.
Belief systems embody the internal representation of the human landscape. Institutions are the structure that humans impose on that landscape in order to produce the desired outcome. Beliefs systems therefore are the internal representation and institutions the external manifestation of that representation (North, 2005, p. 49).

Werner Sombart (2006) says that history is not enough to approach the problem of human existence. Even if one tries to embrace all Universal History this is something that history itself—unlike philosophy—is ill-suited for due to its intangibility and extension. He advocates for the philosophy of history and remarks on the crucial role of “those great projections of the human mind into which the whole sphere of culture can be divided, the culture systems, as Dilthey has called them” (Sombart, 2006, pp. 113–114).

Andalusia is an autonomous region of Spain established after the 1978 Spanish Constitution of 1978 that enabled a process of devolution to the seventeen autonomous regions and cities created with the transition to democracy after Franco’s death in 1975 and the demise of a highly centralized state that followed the 1936-1939 Civil War. It is the largest both in terms of population and surface. Also, it is the region with the highest unemployment rate both in Spain and the European Union.

Table 1. Andalusia vs. Spain—main aggregates 2014

<table>
<thead>
<tr>
<th>Variable</th>
<th>Andalusia</th>
<th>Spain</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>GDP¹</td>
<td>141,638</td>
<td>1,058,469</td>
<td>13.38</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>16,884</td>
<td>22,780</td>
<td>74.12</td>
</tr>
<tr>
<td>Population</td>
<td>8,388,875</td>
<td>46,512,199</td>
<td>18.04</td>
</tr>
<tr>
<td>Surface (sq. km)</td>
<td>87,597</td>
<td>505,991</td>
<td>17.31</td>
</tr>
<tr>
<td>Unemployment</td>
<td>1,395,700</td>
<td>5,457,700</td>
<td>25.57</td>
</tr>
<tr>
<td>Unemployment %</td>
<td>34.23</td>
<td>23.70</td>
<td>-</td>
</tr>
<tr>
<td>Activity rate</td>
<td>59.35</td>
<td>59.77</td>
<td>-</td>
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Source: INE (2015a) INE (2015b)
¹ (£ million)

This work posed a number of epistemological difficulties. First, the period studied—back to the Early Modern Age—is so long that it makes it very difficult to establish a causal relationship with any single economic feature today. Second, I tried to pinpoint the ultimate causes of structural unemployment in Andalusia and not any immediate causes as is usually found in the regional economics literature on this issue. Third, the historical facts with regard to the formation of Modern Andalusia are highly controversial—to some extent because of their implication with the collective identity of modern Spanish people, particularly Andalusians. They are closely related to the very foundations of Spain as a
nation. Fourth, there are competing explanations of the phenomenon of severe unemployment in Andalusia. Most of them are macroeconomic and are formulated in neoclassical terms—if they are not mere truisms. Finally, the literature on this subject is paradoxically very scarce: typically econometric analysis conducted on the basis of—too often—irrelevant data.

I provided an evolutionary explanation of structural characteristics of the Andalusian economy with regard to unemployment, something which so far has not been done. The approach of this empirical paper is holistic and also multidisciplinary—it draws on a number of disciplines such as history, social anthropology, and political science. The hypothesis I sought to develop is whether high, persistent, unemployment in Andalusia is the result of a difficult fitting of former al-Andalus into the Christian world epitomized by both Castile-Leon and Aragon.

As suggested above, ascertaining whether a distant past has an impact on today’s society affects the collective identity of people in Spain and particularly in Andalusia. As the Christian conquest of the Iberian South resulted in both winners and losers, to claim that the effects of such an institutional shock are still felt today is tantamount to acknowledging that—to some extent—modern Andalusians descend from the Andalusi people and that Andalusia is heir to al-Andalus. This is very controversial in Spain as it relates to people’s identity and tarnishes not only the historical narrative but also the academic literature.

2. Historical origins of Modern Andalusia

Spain as a nation is an amalgamation of states that existed before 1492: notably Castile, Aragon, and Navarre. Some of them were composite political entities themselves, e.g. Castile was actually Castile-Leon, and Aragon was itself a confederation. All these kingdoms, as well as Portugal—incorporated into the crown between 1581 and 1668—, were European nations with roughly the same cultural background: Latin as a written language, vernacular Romance and Christian faith.

However, in 711 the Arabs invaded the Iberian peninsula and, after a swift conquest in just seven years, laid the foundations of a new social reality and political entity which became part of Dar al Islam (Islamic world). The new emirate—al-Andalus—was ethnically diverse arguable with a major proportion of Mozarabs (Christians) and a minority of Jews. As the
country experienced a swift process of Islamisation it is to be supposed that a large part of
the native population increasingly converted to the new faith and so became Muladis.
Nevertheless, the country was a composite of people from very diverse ethnic origins: e.g.
people from the Arabian peninsula, Syrians, and Berbers in addition to the native population.

The origins of Spain as nation lie on the clash of civilizations between Europe and Islam. For
almost eight hundred years there was a shifting border between Christian kingdoms in the
north—the earlyMarca Hispanica (northern border)—and Muslim al-Andalus in the south,
whether as a central state or as a collection of independent kingdoms and statelets. The
Reconquista was an ideological enterprise of states that claimed descent from Visigoth
Hispania, and had a strong religious component. If something of the kind is to be found
elsewhere these were the Crusades.

For centuries Andalusians have been told by ruling elites and the assimilating state—
particularly the educational establishment in the last one hundred and fifty years—that they
descend from northern settlers, mainly from Castile but also from other kingdoms, who
occupied emptied lands and houses of evicted Moors—people of Muslim al-Andalus. However, Blas Infante Pérez—an early twentieth century intellectual, considered the father
of the Andalusian motherland —ironically challenged these views: “[s]ince then, we already
know, we would be the Europeans from Castile, conquerors of this land completely
abandoned by Arabs or Moors, those barbaric foreigners put on the run…” (Infante Pérez,
1984, p. 198).

In a few words, in the Spanish collective imaginary, the history of Spain would be the history
of the fight against the Moors—who were ultimately defeated and evicted from the
motherland (Manuel González Jiménez (2003). Spain as a nation state would be the
successful outcome of the Reconquista. If revisionists like Infante Pérez (1979; 1982; 1984)
considered al-Andalus as “history of the self”, and even the very history of Andalusia,
mainstream traditional Spanish historiography considers it as “history of the other”, e.g.
(apart from González Jiménez above) Alberto Marcos Martín (2000), Francisco Comín et al.
(2010).

González Jiménez (2012) epitomizes religious militancy and nationalist views that provide
ideological legitimization to the Reconquista. According to him it was a morally justified
enterprise: a “holy war” which stemmed “from God’s commandment” against those—the Arabs—who had conquered and “destroyed” Spain (González Jiménez, 2003, pp. 165–166, 169). To have an idea of the morality of the occupiers let us recall what Niccolo Machiavelli said about Ferdinand the Catholic: “he devoted himself with a pious cruelty to driving out and clearing his kingdom of the Moors” (Machiavelli, 1988, pp. 107–108).

According to the Medievalist the “historical origins” of Andalusia hark back to the conquest and settlement of the Guadalquivir basin by Ferdinand III of Castile in the second half of the thirteenth century (González Jiménez, 2012): “the Andalusian population was formed out of migrants from Castile and even abroad given the limited demography of the kingdom” (267). So accomplished would have been both expulsions and re-populations that according to the author Cordova—from half a million people in the early eleventh century (Lévi-Provençal, 1996, pp. 231–232)—ended up with “all its Mudejars [Muslims permitted to live under Christian rule] living in one single street since 1480” (Romero-Camacho and González Jiménez, 2001, p. 71).

González Jiménez (1980, p. 144) clarifies what happened to the properties of the defeated people of al-Andalus: “the main beneficiaries of repartimientos were certainly a number of groups which shared their closeness to the crown and their direct involvement in the war of conquest”. Also, he acknowledges that “never in the history of the region had such large land redistribution happened—in slightly over half a century—resulting in a complete overhaul of landownership in Western Andalusia” (143).

For the Spanish Medievalist Andalusia was already a new society then—a sort of “Newest” Castile—with just some negligible traces of the Muslim period in terms of population. After 200 years, the Guadalquivir basin conquest meant the end of an Andalusia densely populated with Muslims, as most of them “emigrated” to the kingdom of Granada or to the north of Africa.

However, the virtual eradication of the Andalusi people in Iberian lands seems unlikely. Not only because Betica—the Roman province roughly equivalent to today’s Andalusia—was arguably the most densely populated in Hispania (Gozalbes Cravioto, 2007), a pattern even stronger in al-Andalus, but also because the core of Christian Spain, when the “Reconquest” began, would have been mountainous Asturias, a small territory in the North. It is very difficult to ascertain the population of al-Andalus but half-a-million-people caliphate
Cordova may have been the largest European city in the early eleventh century—250 years before the Castilian invasion.

That figure leads us easily to parameters of income and wealth. According to Álvarez Nogal and Prados de la Escosura (2007), who cites Wrigley (1985), before the industrial age increases in per capita income are related to urbanization, aggregate output can be estimated taking population as a proxy for economy activities other than agriculture, and agriculture itself can be estimated indirectly (17–18). Urbanization is a good proxy for average income per capita in society (Acemoglu et al., 2004, p. 21).

If the notorious influence of the Arabic language in modern Spanish does not show to what extent Spain owes to the Muslim al-Andalus and the Arab world in general, Andalusian idioms, folklore, and symbolism show further evidence, e.g. the very word “flamenco” would be a corruption of *felah-mengo*—Arabic for “displaced peasant”—(Infante Pérez 1979, p. 76), and the quintessential Spanish exclamation—as it is Andalusian—“olé” would be a corruption of “ualah” (my Good!) cited by Ibn al-Arabi (Asín Palacios, 1981 cited in Barrios, 1989, p. 110). According to John H. Elliott (2002, p. 294, 335-336) the cultural inheritance of al-Andalus was still present in Spain at the time of the New World discovery.

The extent of the assimilation of native people by foreign invaders—whether Arabs, Castilians or Aragonese—seems to have been largely overestimated by mainstream historiography. Representative art in Muslim al-Andalus—whether Roman-Greek style carvings at Medina Azahara or Renaissance -style poly-chromic paint at the Alhambra—suggests it was a fact. The assimilation would have operated the other way round actually due to the “superior” and “leading” culture of the defeated people (Infante Pérez, 1984, 69; 208) in comparison with the “barbaric and assimilation -driven conquerors” (Infante Pérez, 1979, 62). This is something implicit in Fernand Braudel (1996) for whom aggressive civilizations are ultimately defeated within the body of exploited but well established and developed civilizations.

3. **Origin and consequences of Andalusia’s latifundia**

The aim of this point is not only challenging but also intuitive. It is related to what has been argued by a number of authors in the last one hundred years (Pascual Carrión, 1932; Claudio Sánchez-Albornoz, 1932; Jaime Vicens Vives, 1959; Edward Malefakis, 1970; Antonio López
Ontiveros, 1978; Elliott, 2002; Sima Lieberman, 2013; Pedro Tedde de Lorca, 2013); that is to say, that the problem of land tenure—latifundia—and subsequent underdevelopment in Andalusia harks back to the very origins of the Reconquista. Lieberman (2013) and Elliott (2002) give the same account of the confiscatory proceedings in the aftermath of the conquest. According to the latter, the institutional shock had long-term consequences and affected landownership and class structure in modern times.

Fernando III handed over vast areas of the newly recovered territories to the Castilian nobles who had assisted him in his crusade. [He divided it] into large blocks to distribute it among the Military Orders, the Church and the nobles (Elliott, 2002, p. 12).

However, this is dismissed by González Jiménez (2014, p. 1418) as dogmatic, politically motivated, or at least wrong: “a very historical dogma, accepted with almost no discussion given the prestige of those who defended it”. He says that the latifundia took form later to the conquest and the repartimientos (grants of confiscated lands and houses to settlers) for reasons other than the ownership transfer but related to the formation of a “very modern” early capitalism (González Jiménez, 1987, p. 121). This “pre-modern, pre-capitalist system” that “was so modern” seems unlikely, particularly when according to de la Ensenada’s land mapping two thirds of the productive land about 1750 was owned—non transferable—by both the nobility and the Church (Carreras and Tafunell, 2004, p. 13).

Juan Manuel Cuenca Toribio (2013) says that sales by the state of Military Order lands in the sixteenth century “produced an increase of middle owners that gave stability and productivity to the countryside”. However, according to him “the seventeenth century was again a period of land concentration and latifundia enlargement; both because of the bankruptcy of that agrarian middle class and the bankruptcy of local councils”. Interestingly, he says “that large properties—epitomized above by latifundia—finished their completion, and showed a face that will not significantly change until the nineteenth century with its large desamortización (end of dead hands) processes” (Cuenca Toribio, 2013, p. 134).

On the basis of the seminal contributions by Sánchez-Albornoz (1932), Carrión (1932), and Vicens Vives (1959), Ruiz-Mayá Pérez (1979) carried out a thorough statistical survey and pointed to two periods when there were major changes in landownership: first the Reconquest, when the structure began; and second, the desamortización in the nineteenth century, the first ever—enduring—change. The pre-eminence of nobility landownership in the Ancien Régime has been indicated by Tedde de Lorca (2013a):
In the mid-eighteenth century, among the biggest landowners in Western Andalusia, were first, the nobility with 59 per cent; second, local councils with 22 per cent; third, other landowners like those belonging to the third state with 10 per cent and finally, the Church with 9 per cent (Tedde de Lorca, 2013a, 202-203).

Malefakis (1971) establishes a clear association between the Reconquista and the latifundia in Southern Spain, and gives support to an evolutionary, multi-factor and comprehensive theory—needless to say many other things that happened in these long centuries also matter.

The foundations of modern systems of land ownership in Spain hark back to the Reconquista, by way of an extremely complex interaction between the royal power, the strength of nobility and military orders, the size of the reconquered areas in several periods, the conquest methods, the density and assimilability of each region’s population and, finally, the colonisation procedures by the victorious parties (Malefakis, 1971, p. 70).

In the early nineteenth century the liberal state carried out a series of desamortizaciones which introduced liberal capitalism into the regime of land tenure. As a result, masses of landless peasants previously tied to Church lands or commons became day labourers with no certainty whatsoever in their lives, solely dependent on the logic of supply and demand. This change was not aimed at distributing lands among peasants but at providing the state with badly needed funding; it clearly favoured the ruling elites, both nobility and bourgeoisie. No matter how deep and disruptive these changes the ultimate origin of dispossession “harks back ... to the Reconquest” (Tedde de Lorca, 2013a, 197). The result of the above process was the proletarianisation of main layers of society and the constitution of a regime with deep inequalities both in landed wealth, and income which was now highly seasonal and insecure. This state of social polarisation seems to have held back the economic development of the region as—unlike Catalonia—it precluded the formation of the market needed for new manufacturing industries and so decreased financial prospects (Tedde de Lorca, 2013b, p. 223). Also, manufacturing was so weak that it did very little to absorb labour oversupply in the primary sector. Given the weakness of the regional economy agrarian savings were channelled through the emerging financial institutions towards the industrial take-off in Northern Spain.

According to Tamames (1965) the structure of land tenure, latifundia and its consequences and interests, have conditioned and retarded any reform initiative and “have consciously slowed industrialisation” and caused the age-old and enduring underdevelopment of the region, leaving—among other consequences—a enormous mass of landless peasants and a strong income transfer towards the more industrialised regions (Rodríguez Sánchez de Alva, 2013, p. 481).
Álvarez Nogal and Prados de la Escosura (2007) conclude in resolute terms that “the roots of Spanish comparative retardation lie in the seventeenth century (and up to 1750 when Britain is the reference), and deepened during the first half of the nineteenth century” (26). Let us remember that in 1609 the final solution to the Morisco question had been implemented—a quarter of a million people were deported—and in the early nineteenth century the desamortizaciones, which freed landownership, took place. According to (Malefakis, 1970) fully fledged capitalism made things worse for peasants who previously worked Church lands and/or benefited from communal lands; also, indirect taxation was introduced.

4. Underdevelopment, dependency, and unemployment

Alfonso Rodríguez Sánchez de Alva (2013)—quoting Ernest Lluch (1987)—argues that the agrarian question in Andalusia since the establishment of the liberal state has been a hindrance to economic development.

More particularly in the economic field, specialists in economic thought have pinpointed the structure of land tenure in Andalusia in the nineteenth and twentieth centuries as one of the bottleneck factors of the economic take-off in the region (Alfonso Rodríguez Sánchez de Alva (2013, p. 501).

However, particularly since the failed 1932 Agrarian Reform, the matter has not been a priority for the political establishment, in the beginning because the landed classes and conservative forces rebelled and waged a war against the state—which they won—making a taboo of the issue afterwards.

After Franco’s death in 1975 and the restoration of democratic rule, and subsequent devolution, the Andalusian government carried out the 1984 Agrarian Reform—aimed not at landownership but at the economic efficiency of the latifundia. The government tried not to alienate the landed elites this time, but the reform failed anyway. Supposedly a perspective belonging only to people on the left, Pellejero Martínez (1989) defies a taboo about something that has proved very costly in terms of national development.

It is significant that the tendency towards the enlargement and prolongation of latifundia has been maintained unbroken for seven centuries and that for five centuries its development has not been considered particularly threatening or negative for the region’s economy and society (Pellejero Martínez, 1989, p. 161).

Unsurprisingly, in the new liberal state emerging from the crisis of the Ancien Regime Andalusia will always play a dependent and subordinate role in the capitalist order in both
Spain and the West. Juan A. Lacomba Abellán (2013) stresses the relationship between retardation and subordination on the one hand and dependence and colonialism on the other hand:

Andalusia’s retardation in the latter part of the nineteenth century can be explained on the basis of the subordinate integration of Andalusia into the capitalist process taking place both inside the country and in Western Europe as a whole.

So, the Andalusian economy, in that period operated on the one hand in subordination to domestic colonialism and on the other hand in subordination to foreign colonialism (Lacomba Abellán, 2013, p. 306).

Also, trade monopoly with the American colonies first in Seville and then in Cádiz, the concentration of land rents and later Francoist policies, may have withheld the region’s development until today says Rodríguez Sánchez de Alva (2013)—who cites Antonio Miguel Bernal, Carlos Camps, and José Cazorla respectively—resulting in a passive and traditional mindset, unfavourable to entrepreneurialism and bent on rent-seeking behaviour. Sánchez Picón (2013) says that poor entrepreneurialism has negatively impacted industrialisation, and Cuenca Toribio (2013) highlights the role of foreign elites and the weaknesses of native people in the shift of the colonial trade’s gravitational centre:

[the shift from Seville to Cádiz] sheds light on the influence of domestic and foreign lobbies and the negligible participation—a result perhaps of the lack of the genuine entrepreneurial skills and bourgeois spirit that was happening in Western Europe—of native people, and also Andalusian local rivalries (Cuenca Toribio, 2013, p. 136).

Andalusia’s (under)development is a main topic in regional economics: a persistent and unwanted feature seen as a “relative retardation” that—with “stubborn resistance”—keeps Andalusia’s per capita income around 75 per cent of the Spanish level (Herce San Miguel, 2004, p. 217).

The University of Seville’s Instituto de Desarrollo Regional (IDR), a “Europe class highly recognized centre” (García, 2003, p. 53), was probably the most dedicated think tank in regional economics for more than twenty-five years until it shut down in 2011 amid financial woes. Carlos Román—long-time head of IDR—says “unemployment [is] the worst face of Andalusian underdevelopment”, and adds: “the industrial model has been a total failure” (Román, 1987, p. 46). He makes the following analysis that challenges traditional views of neoclassical economics abstracted from both place and time (Cuadrado Roura, 2006).

Unexpectedly, labour freed with the sacrifice of agriculture and traditional transformation activities has not been channelled through Andalusian industry but, at most, towards other
sectors or regions. Those who lose their jobs in agriculture have found work in the service industry, or have taken refuge in the black economy, or have emigrated, or remain unemployed (Román, 1987, p. 46).

Quantitative economist Alfonso Garcia Barbancho boldly depicts the state of things: “unemployment is over here [in Andalusia] and there are few and clear ideas on how to fight it”, and adds “the root of the problem is still to be tackled” (Barbancho, 1987, p. 15).

In the last thirty-five years neo-Marxist dependence theory (David Moles, 1999; José Luis Sampedro, 1983) has probably been the most popular approach to explain Andalusia’s economic retardation (Francisco Alburquerque Llorens, 1984; Manuel Delgado Cabeza, 1984; 1990; 1996a; 1996b; 2006; Delgado Cabeza and Sánchez Fernández, 1998; Román del Río, 1985; 1987). The approach—an alternative perspective opposed to modernization theory—is very popular among left-wing academics and very close to Marxism. It was developed in the mid-sixties as a Marxist analysis applied to Latin-American countries to explain underdevelopment and dependency. The Marxist tenet of considering that the productive structure is associated with a particular social-class structure is crucial to political activity (Sánchez de Dios, 2012).

Delgado Cabeza epitomizes the formulation above and consistently highlights the hindrance of dependency, disarticulation, and peripheral location to economic development, as structural features of a historical nature.

There is almost unanimous agreement on the structural nature of problems underlying Andalusia’s social and economic reality. They are problems related to a very long historical process... together with an articulation way with the exterior that define a series of functions within labour international division (Delgado Cabeza, 1996b, p. 11).

As Lacomba Abellán (2013) and Alburquerque Llorens (1984) do, he points to the lack of a suitable local bourgeoisie to lead the development of the region and therefore the necessity for the people themselves in peripheral locations to act.

The time to wait for the emergence of a native bourgeoisie in Andalusia able to lead both the Andalusian society and economy along a road that makes possible the overcoming of its problems is gone. Right now, peripheral people have to become aware that to overcome the barriers that prevent them from developing they themselves must lead (Delgado Cabeza, 1996b, p. 35).
The facts so far set forth show the foundations of a deeply unequal society, an agrarian economy with a highly concentrated landownership unable to provide jobs for the masses of day labourers. Malefakis (1970) emphasizes the power of path dependence and the social nature of Andalusian woes.

The history of Southern Spain after the mid-nineteenth century is the story of men trying to revise or destroy a property structure that men in earlier centuries—not geography—had created (Malefakis, 1970, p. 64).

In the south, landless day labourers were numerous—accounting for 43.3 per cent of the active population in 1956, four times more than in any other unirrigated region in Spain. The “central tragedy”, according to the author, was that the latifundium heritage prevented the creation of small family-size farms and that the largest social class was that of landless day labourers (98). Unsurprisingly, this is basically what Carrión (1932) and Infante Pérez (1982) say.

As the state and the ruling elites ignored the plight of the landless peasants, modern ideologies such as Anarchosyndicalism and Socialism stepped in, and labour organizations spread throughout the countryside after 1870. Day labourers constituted 78.1 per cent of the rural proletariat registered in the provinces of Cadiz, Cordova, Huelva, Malaga, and Seville in the 1936 Peasant Census, while the figure for the rest of Southern Spain was 58.1 per cent (Malefakis, 1970, p. 129). In 1936 unemployment in Spain reached 19.9 per cent of the active population—27.5 per cent in agriculture; of the total unemployed two thirds were agricultural workers\(^2\) (Malefakis, 1970, p. 286).

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<th>Total unemployment</th>
<th>Agricultural unemployment</th>
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<tr>
<td></td>
<td>Number unemployed</td>
<td>Percent of total unemployed</td>
</tr>
<tr>
<td>1933 (July-Dec.)</td>
<td>593,627</td>
<td>382,965</td>
</tr>
<tr>
<td>1934</td>
<td>667,263</td>
<td>409,617</td>
</tr>
<tr>
<td>1935</td>
<td>696,989</td>
<td>434,054</td>
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<tr>
<td>1936 (Jan.-July)</td>
<td>796,341</td>
<td>522,079</td>
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\(^2\) Estimation on the basis of a non-self-employed population of “perhaps” 4.0 million which included some 1.9 million agricultural workers (Malefakis, 1970, p. 286)
The problem was obviously considered as related to landownership since an elite owned most of the land and most peasants had no lands to work. Also, latifundia—the elite’s large estates—“were generally worked in an extensive and deficient way” (Carrión 1933, p.74), quoted in Ferraro García and Pascual Cevallos (1984, p. 50), for whom landownership concentration proved a hindrance to social and economic development. The tragic outcome of this imbalance—how the system reached a balance—is well known only that the clash seems to have been more about expectations than not as inequalities narrowed in the years that preceded the 1936-1939 Civil War (Prados de la Escosura, 2007). In any case, as Acemoglu et al. (2004) suggest, in developing countries the prospect of radical land reform can alienate the elites and bring democracy to an end.

The apparent catch-up of Andalusia with Spanish and European standards in the second half of the twentieth century is explained in terms of an “increase of the numerator [Andalusia’s output] and deceleration of the aggregate denominator” [others’ output] (Rodríguez Sánchez de Alva, 2013, p. 485). The population, between 1955 and 1998 went up 0.56 per cent versus 1.98 per cent in Spain. Emigration—one of the most significant phenomena in twentieth-century Andalusia—was the exhaust pipe that alleviated the imbalance in the labour market. The loss of population was a persistent pattern in Francos’s Spain as migratory flows show:

<table>
<thead>
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<th>Table 3. Migratory balances in twentieth-century Andalusia</th>
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<td>-73,485</td>
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Source: (Rodríguez Sánchez de Alva, 2013, p. 485)

In 1970 more than 21 per cent of Andalusia’s total population resided in other Spanish regions (485). Many others migrated to Northern Europe and were crucial, together with tourism, in earning hard currency badly needed in Spain for the industrial advancement between 1960 and 1973. Meanwhile, Andalusia experienced a “definitive” process of deindustrialisation between 1930 and 1958 (Sánchez Picón, 2013, p. 20).

5.1. **Neoclassical explanations of unemployment in Andalusia**

Unlike literature on Andalusia’s economic retardation—or “relative development” (Auríoles Martín and Manzanera Díaz, 2004)—literature on Andalusia’s unemployment is rather sparse, maybe because of a general understanding that unemployment is a result of
“Andalusia’s underdevelopment” (Román, 1987). According to Congregado and García Pérez (2004, p. 123) persistent and high unemployment in Andalusia needs an in-depth study in search of the explanatory elements, whether national or specific to the region, and may be a consequence of its idiosyncratic behaviour.

Castillo Delgado et al. (1996) points to demographic reasons as responsible for high unemployment in the region: there would be an idiosyncratic behaviour of the population in terms of growth, pyramidal structure, and/or activity. In addition to that, Becerra Benítez et al. (1998, pp. 47–48) point to the larger proportion of agriculture in the regional GDP. Congregado and García Pérez (2004, p. 158) claim that the strong flow of active jobseekers into the active population—despite intense job creation—prevents a sizeable decrease in unemployment, and point to a series of more immediate causes: first, the increase in employment among women; second, different patterns of productive specialisation; third, higher youth unemployment; and fourth, higher numbers of agricultural and construction workers. The active population increase is a compelling argument indeed but does not address the cause of the imbalance on the production side: why is more not produced to sustain the population growth?

The lack of migration opportunities since the mid-seventies has also been suggested as a cause for structural unemployment in the region. Interestingly, this applies to both other Spanish regions and other countries. Since the beginning of the devolution after the 1978 Constitution, Spain started breaking up as a single labour market: since then regional languages, rules, and policies act as barriers to jobseekers from other regions. Morillas (2004, p. 238) rightly says that the days of mass migration since the 1950s are bygone, now “job opportunities are no longer abundant in other Spanish and European regions” (238).

Skills and competences have also been suggested as responsible for the high unemployment in the region. According to José Antonio Herce San Miguel (2004, p. 218) unemployment “has as a main cause the under-qualification of Andalusian unemployed people who however—surprisingly—seem more willing to move to find work than other Spaniards.”

Andalusians seem to be aware of their situation and standard of living, and other Spaniards agree with that: “most of them consider that [Andalusia] is the Spanish region in which life is worst. That opinion is also shared by most Spaniards” (Jaime Castillo, 2004, p. 259). Andalusia’s underdevelopment is not just in economic terms but also in human
development terms; however, the situation is more nuanced in the latter than in the former (del Pino Espejo and Fernández Prados, 2004).

The Andalusian executive has funded econometric studies with a formal approach to unemployment, e.g. recorded unemployment, intermediation figures by the employment service; the results are expressed in natural sciences language. “The Andalusian unemployment differential: SVAR analysis of the Beveridge curve”\(^3\) concludes:

[the results show] that the response capability to positive changes in activity is lower in Andalusia, which implies a smaller decrease of unemployment in the cycle-expansive stage. The lower sensitivity of Andalusia’s unemployment to the economic cycle might suggest that it is related—among other factors—to the existence of hysteresis processes. This, together with the clear role of reallocation disturbances in the temporary variability of unemployment, seems to suggest it has a clear structural character (Álvarez de Toledo et al., 2005, pp. 22–23).

So the “problem”, in common parlance, “must be explained to some extent as the result of a permanent mismatch between labour supply and labour demand”. That is to say, that “the structural component of unemployment in Andalusia is higher than elsewhere in Spain and ... a poor matching process between job leads and jobseekers may underlie it” (23). In terms of employment policy the recommendations are as follows:

a pattern of intervention to facilitate the matching by both stimulating job market contacts and the higher acceptance of job offers—being aware that only quality matching can reduce the seasonality in the Spanish job market (Núñez and Usabiaga, 2007, p. 71).

Guzmán Cuevas (2013, pp. 501–502) acknowledges the role of condition-setting and the removal of barriers to entrepreneurial activity in Andalusia, and their framing within the lines of traditional economic thought that emphasizes the importance of business activity in economic development. However, interestingly, he acknowledges that this argument “rarely goes beyond the removal of the internal impediments to business activity. The internal causes which hinder the emergence of entrepreneurial activity are virtually never studied”.

5.2. Institutional explanations of unemployment in Andalusia

The first explanation of underdevelopment from a cultural point of view was proposed by Banfield (1958) for whom underdevelopment in Southern Italy was a consequence of the “narrow self interest by its inhabitants”, their “amoral familism” (Guiso et al., 2006, p. 8). I

\(^3\) In original Spanish “El Diferencial de Desempleo Andaluz: Análisis SVAR de la Curva de Beveridge”
have tried to determine if any or some particular features of Andalusia’s culture systems (if ever) represent a hindrance to economic development in relative terms.

The analysis of Banfield (1958) and Coleman for Southern Italy, organized crime apart, equally applies to Andalusia—“Andalusia, it has been observed, is the ‘Sicily of Spain’” (Hobsbawm, 1965, p. 74). Both regions share many features proper to agrarian, “familist” societies in developing countries where personal exchange is crucial in many respects, e.g. to find work. The way people get jobs with local authorities, regional governments, central government, or any other public body—or how subsidies are awarded—suggests clientelism is a widespread practice in Spain, particularly in Andalusia. Robinson and Verdier (2013) provide an institutional explanation for why income redistribution often takes an inefficient form through jobs with government bureaucracy. According to them “inefficiencies associated with clientelism are intensified when the relative stakes of politics are relatively large” (Robinson and Verdier, 2013, p. 264).

The past obviously plays a role in economic development since any current situation is the result of a historical evolution, and institutions cannot be improvised or built from scratch. Also, past institutions—according to Tabellini and Guiso et al.—can still play a role today as they “fashion belief systems that are transmitted across many generations” (Algan and Cahuc, 2013a, p. 546).

Trust is a fundamental element of business and this problem has been dealt with in different ways throughout history. The lack of trust is a hindrance to business and efficiency: it means an increase in transaction costs—due to higher risk and uncertainty—and the likelihood that a prospective transaction would not be performed. Also, it can provide an explanation for “much of the economic backwardness in the world” (Algan and Cahuc, 2013b, p. 2).

Trust is subjectively measured by a number of surveys across countries and regions: World Values Survey (WVS), European Values Survey (EVS), and European Social Reality (ESR). As shown in Table 4 below Andalusia ranks lower than both Spain and the UK in trust, also in volunteering which I take as a proxy for cooperation.
Table 4. Comparable data on trust and volunteering

<table>
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<th>Trust Index</th>
<th>Volunteering ESR 2006</th>
<th>Volunteering EVS 1999-00</th>
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<tbody>
<tr>
<td>UK</td>
<td>61.7</td>
<td>28</td>
<td>43</td>
</tr>
<tr>
<td>Spain</td>
<td>40.9</td>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td>Andalusia</td>
<td>24.5</td>
<td>12</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: adapted from WVS 2009 and Guido Tabellini 2010
NB: the values above relate to social trust (Kenneth Newton 2001)

The seminal work of Greif about the business practices of Magribi versus Genoese traders explains the difference between collectivist and individualistic societies respectively (Greif, 1994). It should not be too risky to say that trade practices among Andalusians are closer to the Magribi type, whether because of proximity or because this is a common feature of traditional societies. The relationship between societal organization and development seems to be clear: “most of the developing countries are ‘collectivist,’ whereas the developed West is ‘individualistic’ (Greif, 1994, p. 913).

According to Algan and Cahuc (2013b, 9) “distrust and corruption nourish each other and lead on to bad equilibria characterized by weak production and highly burdensome regulation.” Also, as they are both part of a culture and a mental model, they can span generations. So, the long-run impact of war and conflicts can still be perceived today, and a theory has been advanced by Rohmer, Thoenig and Ziliboti (2013) (cited in Algan and Cahuc, 2013b).

The negative correlation between trust and regulatory intervention is understood on the basis that the state must step in to regulate cooperation as individuals are unable to do it themselves. People in uncivic communities “expect high levels of regulation and corruption... their beliefs are justified, as their choices lead to uncivic-mindedness, high regulation, high corruption, and low levels of entrepreneurial activity” (Algan and Cahuc, 2013b, p. 50). The relatively low level of trust in Andalusia probably spares an explanation of both the degree of corruption among Andalusia’s authorities and the burdensome regulatory intervention, whether by Junta de Andalucía (the regional government) or other instances of government; unsurprisingly, “distrust and corruption nourish each other” (Algan and Cahuc, 2013b, p. 9). Paradoxically, in low-trust poor-governance countries
burdensome regulation is closely related to arbitrariness: as rules are rarely enforced, the
government has an actual despotic power with no constraints whatsoever, as when
arbitrarily they “just [exceptionally] apply” the law.

The correlation not only holds between trust and income per capita but also between trust
and growth as shown by Knack and Keefer (1997). The case of Southern Spain is not
dissimilar to the rest of the low-trust southern Mediterranean countries, from Portugal to
Greece: “the change in income per capita within developed countries is overwhelmingly
explained by inherited trust” Algan and Cahuc (2013a, p. 544).

Public corruption does come to public attention in Andalusia. At this moment more than
fifty government officials (El Mundo, 2014)—including former ministers and two former
presidents—at the top levels of Junta de Andalucía are being investigated by the judiciary in
the ERE⁴ case: a massive fraud with money earmarked to mitigate the impact of lay-offs in
last decade. The problem relates not just to the behaviour of some individuals but also to a
scheme engineered by the government itself—to short-circuit its burdensome regulation—and rubber-stamped by the regional parliament, for which the judiciary has so far granted
more than €2,950 million bail (Torres and Salvador, 2014). The latest case of corruption with
the regional government, known as the “training courses”, involves €5,096 million
earmarked for vocational courses for the unemployed between 2001 and 2013 (Contreras,
2014).

Obviously, these are just two instances of government corruption investigated by the
judiciary—both involving massive fraud with money meant to be used for combating
unemployment in the region. Of course this does not mean that every case of corruption is
being tackled or even known about. Also, this is mere anecdotal evidence on the basis of
which no generalization should be made or theory proposed, i.e. how much corruption is
this in comparative interregional terms?

Moreover, there is a correlation between regional unemployment and a large shadow
economy. The strong association—three times more employment in the informal sector in
the south of Italy than in the north for instance—suggests that high interregional disparities
in unemployment could be the result and also the cause of poor governance (IMF, 2003).

⁴ Expedientes de Regulación de Empleo
Unsurprisingly, “high-income countries tend to have relatively strong institutions” and, conversely, “institutions tend to be consistently weaker in low-income countries” (IMF, 2003, p. 98). In low-income unemployment-struck Andalusia the regional government proclaims itself as the vanguard of development in the region, e.g. slogans such as “Andalusia unstoppable”, “Andalusia to the maximum”, are broadcast by the government media. Sadly, the quest by the state for more power does not always result in more wellbeing and freedom for individuals: “constraints on and trust in the executive” matter (IMF, 2003, p. 100).

So far we have seen a series of historic events of an institutional nature—some of them very disruptive and violent—that have had or may have had a powerful impact on property rights, trust, economic growth, public governance, etc. Also, an approach to the institutional setting in Andalusia has been conducted and a number of institutional features of government analysed. But, is there a common thread here?

The answer is the predatory nature of the state: a mode of violence present since the fall of Seville to the troops of King Fernando of Castile in 1248. The historical events that succeeded one another until the present day: from occupation and confiscation of peasants’ properties after the conquest, to today’s massive fraud in regional government with grants meant to benefit the unemployed, and disposessions, colonization, repopulation, forced conversions, the Inquisition, deportations and expulsions, desamortizaciones, proletarianization, massive unemployment, the failed 1932 Agrarian Reform, the 1936-39 Civil War, refugees, mass migrations after 1959, mass unemployment until today, the failure of self-rule after 1978 to tackle underdevelopment and structural unemployment, and poor governance.

One of the institutional features across a span of more than 700 years is, unsurprisingly, “dependence”: in modern terms that the trading system is designed to extract rents from developing countries on the periphery to the benefit of developed countries in the centre as “[d]ependency theorists such as Williams (1944), Wallerstein (1974-1982), Rodney (1972), Frank (1978) and Cardoso and Faletto (1979) argued” (cited in Acemoglu et al., 2004, pp. 36–37). As a result probably of dependence, disarticulation—linked to the endogenous development theory—is another pattern of Andalusia’s economy (Román, 1987).
Another differential characteristic of employment in Andalusia is the high proportion of public sector paid workers compared to the total number of paid workers (28 per cent, four points above the national average) (Castillo Delgado et al., 1994, p. 32). This feature is consistent with the fact that—in comparison with Spain—the state in Andalusia may be closer to a “limited access order” (LAO) (North, 2013). This is the form of government proper to the “natural state” (North et al., 2005), the most common kind of political, societal and economic organization since the dawn of the first ever human revolution: agriculture. Conversely, the “open access order” (OAO) (North, 2013) of a handful of advanced nations epitomizes modern democracies and the rule of law.

If institutions matter in economic history and development as North (1993) suggests, one of the most prominent Spanish institutions for more than three hundred years was The Holy Inquisition, “with uniform de facto power over the entire Spanish territory. For this reason ... [it] became the second most important political institution in early modern Spain” (Vidal-Robert, 2013, p. 3). Its aim was twofold: on the one hand the fight against the infidels and heresy—and so to advance “blood purity” in Spain—and on the other hand to fight the enemies of the state, particularly suspected Moriscos but also other religious minorities. The Inquisition also had other motivations: “behind inquisitorial activity: extracting wealth through confiscations to finance public expenses and religious persecution” (Vidal-Robert, 2013, p. 4).

Also, crucially, the Santo Oficio could have shattered interpersonal trust—and so social capital—among the subjects in a long-lasting way. For John Stuart Mill the Inquisition was the foundational cause of the decline of Spain and Portugal in the Modern Age: “[it] has been ascribed to various causes, but there is one which lies at the foundation of them all: the Holy Inquisition, and the system of mental slavery of which it is the symbol” (J. S. Mill 1852, p.523).

It has been alleged that “Andalusia’s economy shares with the economies of the other Spanish regions similar institutions and rules of economic policy” (Herce San Miguel, 2004, p. 218). This could discourage institutional research at the interregional level and is misleading; institutions are different all across the country. The fact, for instance, that there are seventeen autonomous regions and cities in Spain does not mean that they are all the same; they are just the same category.
Unlike other regions with an endogenous industrial past, Andalusia lacks “social technologies” (Eggertsson, 2009) associated with industrial activities that have never been achieved in the region. According to Acemoglu et al. (2004, p. 12) “market imperfections can lead to the existence of multiple Pareto-ranked equilibria” and as a result, in the absence of non-market coordinated activities, “a country can get stuck in a Pareto inferior equilibrium, associated with poverty.” The author argues that “both institutional persistence and institutional change are equilibrium outcomes” (79).

6. Conclusions

We have seen a number of political events, socio-economic structures and institutional features in the history of Andalusia that have a common thread: the shadow of state violence since its inception. The creation of Spain as a nation-state in the early Modern Age involved the eradication of certain minorities that were at the foundations of former al-Andalus: a unique Muslim—but a multi-ethnic country—in western Europe which spanned the period 711 to 1492. The amalgamation of the former kingdoms in the Iberian peninsula was led by Castile-Leon and was intended to create a modern state along the lines of Castile—its Roman Catholic faith, Romance language, customs and identity. After a few hundred years the forceful assimilation policies brought to extinction the Arabic language and faiths other than Roman Catholicism.

Landownership in the Ancien Régime’s Andalusia was heir to the order that followed the demise of al-Andalus: by right of war, houses and lands belonging to the defeated were confiscated; sometimes the defeated themselves were seized and sold as slaves. As not all native people arguably opposed the occupation, the degree of dispossession may have reasonably varied; this particularly applies to Mozarabs (al-Andalus’s Christians) and those who were ready to convert or just conceal their faith. Highly concentrated landownership was in the hands of the nobility, the Church, and municipalities; commons also were non-negligible.

The structure of landownership was well established and protected by an increasingly strong state. Obviously, across a period spanning several hundred years a number of other things happened, allegedly the further concentration of landownership within a process of feudalization—particularly within the Guadalquivir basin. The highly unequal pattern however remained: landed elites allied to the state on the one hand and a majority of
landless peasants on the other hand. The result was an inefficient agriculture unable to give
birth to a middle class of peasants since the Early Modern Age.

By 1830 landownership was highly concentrated in Andalusia; it is generally accepted that it
was a structure inherited from the Reconquest—a predatory and ideological enterprise
which dates back to the time when Spain was first founded as a nation-state. The process of
desamortizaciones was driven by the funding needs of the new Liberal State and only
benefited the elites—the nobility and the rising bourgeoisie. The situation of the peasantry
worsened as they were no longer attached to the land and they became day labourers
whose lives depended on weather conditions and the will of their employers.

Mass unemployment during the twentieth century was closely related to landownership
and the inefficient agriculture. Since the mid-nineteenth century agitations were constant in
Andalusia's countryside, landless day labourers were prone to revolt and joined the ranks of
Anarchosyndicalists and Socialists. When labourers, freed as a result of agricultural
development, could not find jobs in industry the system became unbalanced and highly
unstable. The 1932 Agrarian Reform epitomized institutional change but failed due to
institutional complementarities that hindered the process and eventually ended with the
start of the Civil War.

Between the dead and the exiled a million-odd people—most of them of working age—
exited unemployment; this, together with state violence under Franco’s regime, eased the
situation in the countryside. After 1959, more than one million people emigrated and again
relieved pressure in the labour market. Only after the oil shock in the 1970s and the
restoration of democracy after Franco’s death in 1975 unemployment again became a social
problem. For years the unemployment rate in Andalusia has been above 20 per cent, some
10 points above the national average. The facts above suggest that, in comparison to Spain
as a whole and as a result of path dependence, a difficult transition from a limited access
order to an open access order took place in Andalusia.
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