

Reflections from Spain

I just got back from a five-week visit to Spain. The first four weeks, I was teaching labor economics at Universidad Francisco Marroquín while my sons took Spanish-language classes on Islamism, Self-Government, and the Philosophy of Hayek. Then we rented a van and saw Cordoba, Seville, Gibraltar, Fuengirola, Granada, and Cuenca. During my stay, I also spoke to the Instituto von Mises in Barcelona, Effective Altruism Madrid, the Rafael del Pino Foundation, and the Juan de Mariana Institute. I had ample time to share ideas with UFM Madrid Director Gonzalo Melián, UFM professor Eduardo Fernández, Juan Pina and Roxana Niculu of the Fundación para el Avance de la Libertad, and my Facebook friend Scott McLain. Using my sons as interpreters, I also conversed with about 25 Uber drivers. Hardly a scientific sample, but here are my reflections on the experience.

1. Overall, Spain was richer and more functional than I expected. The grocery stores are very well-stocked; the worst grocery store I saw in Spain offered higher quality, more variety, and lower prices than the best grocery store I saw in Denmark, Sweden, or Norway. Restaurants are cheap, even in the tourist areas. Almost all workers I encountered did their jobs with a friendly and professional attitude. There is near-zero violent crime, though many locals warned us about pickpockets.
2. The biggest surprise was the low level of English knowledge of the population. Even in tourist areas, most people spoke virtually no English. Without my sons, I would have been reduced to pantomiming (or Google translate) many times a day. Movie theaters were nevertheless full of undubbed Hollywood movies, and signs in (broken) English were omnipresent.
3. I wasn't surprised by the high level of immigration, but I was shocked by its distribution. While there are many migrants from Spanish America, *no single country has sent more than 15% of Spain's migrants!* The biggest source country, to my surprise, is Romania; my wife chatted with fellow Romanians on a near-daily basis. I was puzzled until a Romanian Uber driver told me that a Romanian can attain near-fluent Spanish in 3-4 months. Morocco comes in at #2, but Muslims are less visible in Madrid than in any other European capital I've visited.
4. 75% of our Uber drivers were immigrants, so we heard many tales of the immigrant experience. Romanians aside, we had drivers from Venezuela, Peru, Ecuador, Colombia, and Pakistan. Even the Pakistanis seemed highly assimilated and almost overjoyed to reside in Spain. By the way, Uber in Spain works even better than in the U.S. The median wait time was 3 *minutes*, and the prices were about one-third less than in the U.S.
5. Refugees from Chavismo were prominent and vocal. One Venezuelan Uber driver was

vocally pro-Trump. You might credit Trump's opposition to Maduro, but the driver said she liked him because "He doesn't talk like a regular politician." I wanted to ask, "Couldn't you say the same about Chavez and Maduro?!" but I was in listening mode.

6. I've long been dumbfounded by Spain's high unemployment rate, which peaked at around 27% during the Great Recession and currently stands at about 15%. Could labor market regulation really be so much worse in Spain than in France or Italy? My chats with local economists – and observation of the labor market – confirmed my skepticism. According to these sources, a lot of officially "unemployed" workers are lying to collect unemployment insurance while they work in the black market. Immigrants reported little trouble finding work, though they did gravitate toward "New Economy" jobs like Uber driving. I still think that Spanish unemployment is a tragic problem, especially for the young. Yet properly measured, finding a job in Spain is plausibly easier than finding a job in France or Italy. (This obviously raises the question, "To what extent is unemployment in France and Italy inflated in the same way?" If you know of good sources, please share in the comments).

7. If I didn't know the history of the Spanish Civil War, I never would have guessed that Spain ever had a militant labor movement. Tipping was even rarer than in France, but sincere devotion to customer service seems higher than in the U.S. Perhaps my sons charmed them with their high-brow Spanish, but I doubt that explains more than a small share of what I saw. A rental car worker apologized for charging me for returning my car with a 95% full tank, adding, "Sorry, but my boss will yell at me if I don't."

8. Catalan independence is a weighty issue for both Barcelona and Madrid libertarians. Madrid libertarians say that an independent Catalonia would be very socialist; Barcelona libertarians say the opposite. I found the *madrileños* slightly more compelling here, but thought both groups were wasting time on this distraction. Libertarians around the world should downplay identity and focus on the policy trinity of deregulating immigration, employment, and housing. (Plus austerity, of course).

9. UFM Madrid Director Gonzalo Melián was originally an architect. We discussed Spanish housing regulation at length, and I walked away thinking that Spain is strangling construction about as severely as the U.S. does.

10. Spanish housing regulation is especially crazy, however, because the country is unbelievably empty. You can see vast unused lands even ten miles from Madrid. The train trip to Barcelona passes through hundreds of miles of desert. Yes, the U.S. has even lower population density, but Spain is empty even in regions where many millions of people would plausibly like to live.

11. The quickest way to explain Spain to an American: Spain is the California of Europe. I

grew up in Los Angeles, and often found myself looking around and thinking, “This could *easily* be California.” The parallel is most obvious for geography – the deserts, the mountains, the coasts. But it’s also true architecturally; the typical building in Madrid looks like it was built in California in 1975. And at least in summer, the climates of Spain and California match closely. Spain’s left-wing politics would also resonate with Californians, but Spain doesn’t seem so leftist by European standards. Indeed, Spaniards often told me that their parents remain staunch Franco supporters.

12. My biggest epiphany: Spain has more to gain from immigration than virtually any other country on Earth. There are almost 500 million native Spanish speakers on Earth – and only 47 million people in Spain. (Never mind all those non-Spanish speakers who can acquire fluency in less than a year!) Nearly all of these Spanish speakers live in countries that are markedly poorer and more dangerous than Spain, so vast numbers would love to migrate. And due to the low linguistic and cultural barriers, the migrants are ready to hit the ground running. You can already see migration-fueled growth all over Spain, but that’s only a small fraction of Spain’s potential.

13. Won’t these migrants vote to ruin Spain? I don’t see the slightest hint of this. Migrants come to work, not to change Spain. And it’s far from clear that natives’ political views are better than migrants’. Podemos, the left-wing populist party, doesn’t particularly appeal to immigrant voters. Vox, the right-wing populist party, seems to want *more* immigration from Spanish America, though they naturally want to slash Muslim immigration.

14. How can immigration to Spain be such a free lunch? Simple: *Expanding a well-functioning economy is far easier than fixing a poorly-functioning economy.* The Romanian economy, for example, has low productivity. Romanian *people*, however, produce far more in Spain than at home. Give them four months to learn the language, and they’re ready to roll.

15. According to my sources, Spain’s immigration laws willfully defy this economic logic. When illegal migrants register with the government, they immediately become eligible for many government benefits. Before migrants can legally work, however, they must wait *three years*. Unsurprisingly, then, you see many people who look like illegal immigrants working informally on the streets, peddling bottled water, sunglasses, purses, and the like. I met one family that was sponsoring Venezuelan refugees. Without their sponsorship, the refugees would basically be held as prisoners in a government camp – or even get deported to Venezuela. Why not flip these policies, so migrants can work immediately, but wait three years to become eligible for government benefits? Who really thinks that people have a right to the labor of others, but no right to labor themselves?

16. Our favorite day was actually spent in Gibraltar. Highly recommended; you simply cannot overrate the apes. I was astounded to learn that the border with Spain was totally

closed until 1982, and only normalized in 1985. In a rare triumph of the self-interested voter hypothesis, 96% of Gibraltarians voted against Brexit. Crossing the border is already kind of a pain; pedestrians have to go through (cursory) Spanish and British passport checks both ways, and the car line is supposed to take an hour. I'd hate to be living in Gibraltar if security gets any tighter.

17. Big question: Why is Spain so much richer now than almost any country in Spanish America? Before you answer with great confidence, ponder this: According to Angus Maddison's data on per-capita GDP in 1950, Spain was poorer than Argentina, Chile, Mexico, Peru, Uruguay, and Venezuela, and roughly equal to Colombia, Bolivia, Costa Rica, Cuba, Ecuador, Guatemala, and Panama. This is 11 years after the end of the Spanish Civil War, and Spain of course stayed out of World War II.

18. Related observation: Once you've seen Spain, the idea that underdevelopment and oppression are somehow "intrinsic to Islam" is ridiculous. The monuments of eight centuries of Muslim civilization in Spain are all around you. So are basic facts like: Muslim Cordoba was once the largest city in Europe – and plausibly the most tolerant as well. While bad outcomes are *somewhat* persistent, dramatic turnarounds are also common.

19. Another example: In less than a century, Spain has gone from being a battleground between reactionary Catholicism and violent atheism to a land of extreme religious apathy. Non-practicing Catholics now outnumber practicing Catholics 2:1.

20. After I visit a new country, Tyler Cowen always asks me, "Are you long or short?" In terms of *potential*, I'm very long on Spain. The trinity of "deregulate immigration, employment, and housing" is vital in almost every country, but this formula would do more for Spain than nearly any other country. Wise policy would make Spain the biggest economy in Europe in twenty years flat. Unfortunately, these policies are highly unlikely to be adopted anytime soon, so my actual forecast is only moderately positive. At this point, I can picture Tyler aphorizing, "The very fact that a country has massive unrealized potential is a reason to be pessimistic about its future." But this goes too far. All else equal, a higher upper bound is clearly a reason for optimism – and by European standards, the Spanish economy is now doing very well.

21. Overall, my visit has made me more optimistic about Spain. Much of the measured unemployment is illusory, and immigrants are pouring in to profit from Spain's combination of high productivity and linguistic accessibility. Housing policy remains bad. Since housing regulation is decentralized, however, some regions of Spain will be atypically tolerant of new construction. Where is the Texas of Spain? I don't know, but that's where the future is.



Correction: I originally stated that Spain had lower population density than the contiguous U.S., but I was mixing up population per square mile and population per square kilometer.