

CRISIS ... How to get out of it?

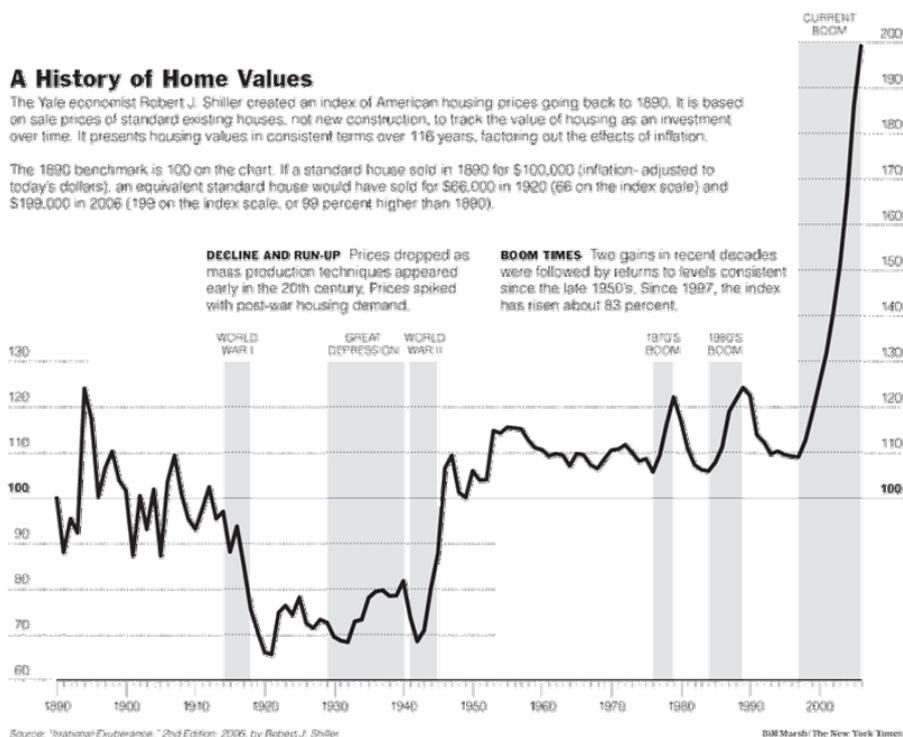
We have spent four years of crisis. So far, so good, the country grew, inflation was under control, unemployment declined ... as some people said, Spain was in the "champions league" of the economy. But ... what happened to arrive at the current situation?

During these years we have heard about subprime mortgages, the collapse of the USA's investment bank Lehman Brothers, increased public spending to boost economy, rating cuts, problems in peripheral countries, the rescues of Greece, Portugal and Ireland, control spending and austerity, cuts in social welfare systems, increasing the tax burden, bailout funds, creation of Eurobonds ... A lot has happened, solutions were sought, but we face the reality every day. No, any politician has the cure for the pandemic.

Neither do I.

Neither I know the remedy, nor what is best. The only thing that crossed my mind was looking back in time in order to browse through previous crisis.

Referring to the archive and asking my elders, I can emphasize three major crises in Spain: the first between 1979 and 1982, the second after the Barcelona Olympics, between 1992 and 1993, and the last the "dot-com bubble" over the years 2001. Noting the situation in the country in these years, I see that we have always managed to break the deadlock in the same way: brick and debt. This graph shows the evolution of housing prices in the USA, but it serves as additional data for my explanation:



To get out of periods of stagnation and to go ahead, Spain used the construction growth and credit. Santiago Niño Becerra in his book "El crash del 2010," talks about this, but in a little more "apocalyptic" way. Spain did not grow by producing more efficiently by investing in R & D, by exporting ... It grew thanks to the debt.

In 1980 a flat could cost a million pesetas, and the banks granted loans of five hundred thousand pesetas in periods ranging from 60 to 120 months (5 to 10 years).

In the nineties, housing cost, to say a number, ten million pesetas. Financial institutions borrowed the 100% of this amount repayable over a maximum of 20 years. Since 2000, housing prices soared, and financial institutions borrowed more than 100% for periods of 30 and 40 years.

The problem this system has come across is that housing prices could not go on growing. If they had still been increasing, the buyers would have disappeared. Nobody could have access to the purchase.

On the other hand, banks cannot be extended beyond this period. A mortgage should be never left as a legacy ...

I do not know the solution, but I think we were mistaken in choosing the system.

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