

THE FIRST COMMERS IN TOURISM INDUSTRY: THE BALEARIC ISLANDS EXPERIENCE, 1960-2000¹

1. The economic bases that facilitated tourism

The great transformation of the Balearic economy developed between the late 1940s and the first petroleum crisis of 1973. In fact, it was the nearly thirty years spanning between 1945 and 1973 that would redefine the model for economic growth on the islands. One could speak of a genuine boom as of 1960, which was fostered and spurred by the spectacular progress of the European economy. Though indeed a determining factor, the pure economic rent of the islands could not alone account for such phenomenon. This time it was not the conventional goods from the fields or urban workshops that would prompt such a shift, but rather the *industry of the outsiders*, to coin the visionary phrase of the Majorcan Bartomeu Amengual, Secretary of Barcelona's Chamber of Commerce, Industry and Navigation between 1902 and 1957. Europe was rebuilding itself as a result of the war. The improvement in the standard of living, together with adequate legislation, made it possible for a large part of the population to enjoy the summer holidays in other countries. Thus, a tourist demand slowly made its way to the Mediterranean, where the low cost of living offered benefits that were comparable to those of the leisure industry. The response of the Balearic Islands in the 1960s was swift and calls for careful examination by economic historians. Meanwhile, according to the information available, the initial hypothesis appears to be logical: industrial and agricultural capital, together with clever businessmen of humble and diverse origins, laid down the foundations of an infrastructure, which, built hastily and anarchically, was formed in the Mediterranean's main tourist attraction in just a few years' time, thanks to an endless source of labour from other parts of the world. With regard to Europe, the progress began around the mid 1950s, as the influx of passengers from the continent to the Balearics by air grew considerably in relation to the number of those travelling by sea. Yet other measures helped to consolidate this. Along these lines, the 1956-1959 period led to a critical turning point, for it was in these years that the visa and customs procedures were simplified and/or eliminated, at the same time that there was a freedom to use alternative currencies, the modification of the exchange rates and the stabilisation of prices. All of these factors had a positive impact on the massive arrival of foreign tourism.

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Between 1960 and 1973—the inception of tourism and the first serious crisis—the growth of demand was remarkable. The approximate figure of 600,000 visitors to the islands during 1960 grew to some 3,600,000 by 1973. This striking increase determined the expeditious evolution of a complex and diversified tourism supply that impacted the economic activity of the islands. The result is well known: the archipelago became evermore dependent on tourism-related income, which shaped the structure of its economy. In turn, the islands enjoy the leading position among Spain's autonomous communities in terms of per capita income, and they have created a privileged position for themselves within the European Union at large. The job market registered this decisive transformation at the very onset of the tourism boom:

The job market and the gross value added of the Balearic economy

<i>Working population</i> <i>Economic sectors</i>	<i>1955</i> %	<i>1957</i> %	<i>1960</i> %	<i>1962</i> %	<i>GVA</i> <i>Sectors</i>	<i>1955</i> %	<i>1957</i> %	<i>1960</i> %	<i>1962</i> %
Tertiary	29.59	30.13	29.61	37.29	Services	47.32	46.30	44.55	50.68
Secondary (without construction)	23.58	23.86	24.98	24.38	Industry without construction	32.82	32.53	29.11	23.24
Primary	40.16	38.93	37.81	30.92	Construction	4.79	5.87	4.58	7.41
	100	100	100	100	Agriculture and fishing	15.07	15.30	21.77	18.67
						100	100	100	100

SOURCE: C. MANERA (2001).

The figures are transparent: in eight years, the tertiary sector gained eight points in the composition of the working population, whereas the primary sector dwindled by ten, which in fact, strengthened the services. All the while, the secondary sector maintained itself at rather historical figures, though perceptively lower than those on record during the 1920s and 1930s, when Balearic industry occupied nearly 40% of the Islands' workers. The construction sector was slowly accumulating importance. Yet it was traditional manufacture, with its hundred-year-old roots, that occupied one fourth of the islands' working population between 1955 and 1962. The gross value added data above allow us to make this first observation. Its nominal increase was significant in those vital years. Three facts particularly call our attention. The first is the magnitude that the services had already acquired by 1955 (47%), which suggests the dynamic nature of the sector during the five-year period that served as a gateway to the actual boom. The second is the fact that industry dropped by ten percentage points between 1955 and 1962, with the exception of building-related activities, which in fact showed growth (from almost 5% to a little over 7%). Therefore, while industry upheld a working population, its contribution to the regional gross value added declined, suggesting obvious losses in productivity. Finally, there was the maintenance and slight development of

primary activities, which at the same time saw tangible decreases in their working population, as mentioned above.

Hence, our hypothesis, which will need to be assessed in future research, is that at the time of the mass tourism boom, the Balearic economy was not internally confronting a critical situation. This can be seen in the new data below, which offer a comparative perspective:

Income per capita at 1990 constant prices, in Spanish pesetas

<i>Years</i>	<i>Spain</i>	<i>Balearics</i>	<i>Balearics (Spain=100)</i>
1955	355,124	428,105	120.55
1957	383,390	453,061	118.17
1960	382,023	447,038	117.02
1962	459,539	628,689	136.81
1964	507,507	745,666	146.93

GDP per inhabitant at current prices, in Spanish pesetas

<i>Years</i>	<i>Spain</i>	<i>Balearics</i>	<i>Catalonia</i>	<i>Region of Valencia</i>	<i>Madrid</i>	<i>Basque Country</i>
1959	24,312	31,601	36,999	28,044	36,268	39,638
1961	29,633	38,530	45,652	33,280	43,912	47,540
1963	39,220	51,239	58,778	42,694	56,722	62,767
1965	49,364	64,859	71,800	51,983	73,145	78,059

SOURCE: E. REIG-A. PICAZO (1998, p. 282) and J. ALCAIDE (1999).

By the mid 1950s the income per capita of the Balearic Islands was already higher (by a bit more than 20%) than the average throughout Spain, and in 1959 at current prices in Spanish pesetas the Balearics were ranked at 76% of the per capita GDP of the fifteen European states. As regards this last amount, which was measured at constant values for 1998, in 1959 the Balearic Islands had some 881,000 pesetas per person, whereas the national average was just over 678,000, and the European average was 1,162,000 pesetas (J. Alcaide 1999). The comparison of the Balearic Islands with the most developed regional economies displays the islands' advantage over eastern Valencia and their logical ranking behind Catalonia, Madrid and the Basque Country, although the differences are not great. It would not be until 1961 that Spain would reach the Balearics' 1955 per capita income. This fact tells us that at the onset of the tourism boom, the economic structure of the Balearic Islands was not facing an insurmountable predicament to lead it to the clearly opt for the tertiary sector that would emerge in the 1960s. In light of these realities, it is unreasonable to assert previous distress as the only factor that intensified the decision to turn to tourism on the islands, bearing in mind that in the mid 1950s the Balearic Islands were one of the leading regional economies in Spain, alongside Madrid, Catalonia and the Basque Country. In this light, it would be more appropriate to turn our attention to other factors, such as the increased importance of the

beginning of an economic model in which the historical versatility of its social agents was the main asset.

2. Growth, tertiary industrialisation and the crisis of the model

The economic growth of the Balearics between 1955 and the end of the century was constant, as the figures of the GVA indicate:

GVA growth rates (in %)

Years	Balearics	Spain
1955-1964	7.49	5.10
1964-1975	5.18	5.58
1975-1985	4.56	2.14
1985-1991	4.14	4.44
1991-1993	-0.19	-0.19
1993-1996	4.98	2.84

SOURCE: E. REIG-A. PICAZO (1998, p. 55)

Between 1955 and 1996, the rate of the GVA increased by 5.09; more than a whole point higher than the Spanish average of 3.97. This was the highest regional index of all the autonomous regions in forty years, and was directly related with the international economic climate, which ups and downs would shake the economic structure of the islands at two particularly trying times: the energy crisis of the 1970s and the 1991-1993 period. Yet this would only partially affect the flurry of visitors to the archipelago, which has clearly continued to increase. In this regard, the figures are spectacular: the approximately 98,000 tourists that came to the Balearics in 1950 would increase to one million in 1965, two million in 1969, three million in 1971, five million in 1982 and ten million in 1998. Hence, it is plain to see that the aforementioned critical periods were rather swiftly overcome. The large volume of visitors would heavily impact the socio-economic structure of the islands, leading to a radical transformation. We are thus beholding a true Copernican shift in the Balearic economy since the 16th century, giving rise to an entrepreneurial pioneering spirit in the tourism sector, which moreover engendered a know-how that could be exported to other similar though less developed areas (the Canary Islands, Cuba, the Dominican Republic and China, particularly). The end result is remarkable: the income from tourism-related activity in the Balearics grew from almost 439,000 million pesetas in 1990 to a little over a billion in 1998, with a 14.73% growth rate in just one year, vis-à-vis 1997 (M. Alenyà 1999, p. 139-141).

Two fundamental factors thus come to light. On the one hand, the break with the only historical means of external transport—and trade—for the islands, sea transport, for the advance of air transport, a phenomenon that was fundamental in assuring the transit of

tourists. On the other hand, we have the survival of a meek yet perceptible industrial heartbeat—with footwear at centre stage—in those stages of tertiary sector development. Additionally, there was the problem of environmental externalities produced by the extensive growth, given the enormous pressure generated on the land and the consumption of energy. Let us explore them:

1. The revolution in transport. In the Balearic Islands, tourism has engendered a heavy transport demand, both for people and goods. The rise in air traffic was primarily the result of the increase of international flights, which mainly consisted of charters. This meant heavy investments for the facilities of a new airport, which in little time became one of the most important travel centres in Europe in terms of the number of passengers. Majorca was thus becoming a fundamental hub in the old continent's air transport network. Sea transport, which is essential to trade, similarly increased with the boom in consumption. We must also note that the recently built port facilities and new transport systems have also facilitated this traffic.

Passenger air traffic between the Balearic Islands and Europe gained importance in the initial aftermath of WWII. In the 1940s-1950s, there was little direct contact between Palma and the major European cities. As to the transit of visitors, connections were established with Barcelona, Madrid and Valencia, which despite slight fluctuations indeed displayed a clear tendency towards growth. However, in 1950 more than 90% of the European travellers that came to the Balearics used air transport, while it was rare for sea transport to exceed 10%. Such flights linked Majorca with some of Europe's main capital cities, through regular contacts established by major airlines. The primary outbound hubs of this European network of the 1950s were in North Atlantic Europe: Amsterdam, Brussels, London, Manchester and Paris, making their way to the Mediterranean area through shuttle services with Majorca.

From the standpoint of economic analysis, the seafaring traffic figures suggest other hypotheses and at the same time pose serious problems for interpretation. We must warn that we are working with variables of weight, given the difficulty to reduce them at the moment to units of value. Yet from the point of view of the formation of the transport networks, the data provided are sufficiently reliable to determine their basic components. Majorca's sea trade with Europe developed in the 1945-1959 period, with fundamental centres in Great Britain (45%), Holland (16%), France (11%), Norway (7%) and Germany (7%). The needs of the Majorcan economy, which were pressing in terms of energy input and machinery, explain this clear tendency of external traffic. Such traffic would in turn determine the structure of the transport network, which was clearly oriented towards central European countries. These fundamental hubs would continue between 1960 and 1973, although there were some important changes in the routes of imports. First of all, the aforementioned centres of the maritime network varied their routes. Secondly, new hubs were incorporated into the

network. These were important both due to the goods that they contributed and what they represented for the expansion of the network. Although the primary points of connection for exports between the port of Palma and Europe continued to be the same as those of the previous period (significant weight of Great Britain, Holland and Germany), as to imports, there were clear variations in different cases. First, England would cease to be a basic focal point, going from 50% to little over 11% of all European imports to the port of Palma. This was tied in with England's loss of importance as a supplier of energy. Secondly, and more importantly, several nations of Eastern Europe emerged, with considerable amounts of goods. Romania (17%), the Soviet Union (15%), Poland (13%) and Bulgaria (8%) together comprised around 53% of the total of the imports between the tourism boom and the crisis of 1973, which contrasts with the inexistence and/or scarcity of previous contacts. This advance is tied to the supply of petroleum-based products (J.M. Escartín-C. Manera-J.M. Petrus 1995).

Thus, while the islands were at the height of their tourist development, several nations of the iron curtain replaced Great Britain as an energy supplier, at a time when the majority of the islands' tourists were precisely British, meaning that Great Britain was the main hub of the passenger air traffic network. This is a typical example of how the islands took advantage of their insular conditions and the flexible connections of the sea and air transport networks to attain the best possible combined transport structure. In this fashion, the specific allocation, as it were, of each transport network to a practically exclusive type of transport (sea=traded goods, air=passengers) enabled Majorca to position itself strategically in Europe.

2. A tourism-based economy with increasingly more considerable environmental limitations. The economic growth of the Balearic Islands displays sharp contradictions with regard to the environment, which become more relevant, as the island economies are essentially hinged on European tourism –which increasingly places more value on relatively untouched settings with plenty of natural areas. In these economies, the answers to the critical cycles have relied on new expansive waves characterised by a greater consumption of territory, consequently punishing of the landscape, their fundamental asset. Thus the conditions upon which the whole process of economic growth began have been reproduced, with three clear vectors: the important increase in the number of visitors, the expansion of tourist consumption, and above all the intense increase in the building sector. The data are evocative:

GVA growth rate in the Balearic Islands, by sector (in %)

Years	<i>Agriculture</i>	<i>Industry</i>	<i>Construction</i>	<i>Services</i>
1955-1964	5.60	3.72	12.47	7.94
1964-1975	-0.89	5.42	5.26	5.54
1975-1985	1.63	2.21	1.60	5.36
1985-1991	1.18	4.42	6.36	3.97
1991-1993	10.32	-3.87	-12.48	1.18
1993-1996	2.43	1.74	7.91	5.19

SOURCE: E. REIG-A. PICAZO (1998, p. 65)

Between 1955 and 1996 the growth in services exceeded that of agriculture, and industry like construction, showed rates which taken as a whole, exceeded 5% between the aforementioned years. The spillover effects of tourist activity explain this behaviour. The decade between 1955 and 1964 is also noteworthy as a landmark period that to some degree laid down the foundations for the economic transformation that was emerging at the time. In this period the growth of the building sector was the main and most influential economic industry: the external economies that were generated with this urban development had the short-term incentive and the long-term problem of the lack of urban planning. Hotel infrastructures proliferated in a frenzied, anarchic development process that continued approximately into the early 1970s, as 83% of the Majorcan hotels on the 1992 census were built before 1974. The environmental impacts of some significance affect this situation, as they are tied to the destruction of coastal areas. Yet the economic model not only tarnished the already limited territory of the islands, but it has affected other aspects as well. Let us consider some of them:

The impact of Balearic economic growth

<i>Indicators</i>	<i>Growth rate</i>
Coal imports (1997/1996)	17.19
Coke imports (1997/1996)	14.31
Water consumption (Palma and Calvià, 1999/1998)	5.43
Power consumption	6.30
Urban Solid Waste production (Palma, 1997/1991)	7.94
Population (1996/1991)	7.28
Tourists (1998/1997)	9.17
GDP (1999/1998)	7.34

SOURCE: C. MANERA (2001).

According to the data above, the economic growth, which is directly correlated to the increased number of tourists, the demographic development and the GDP rate, reveals negative externalities of specific dimensions: in 1999, the pressure on water resources translated to a consumption of some 200 litres per person and per day in Palma and Calvià – the most populated areas in the Balearics--, with severe water shortage problems that

unavoidably require water purification and desalination. At the same time, the generation of waste placed the Balearics above the national average in 1998, with 1.80 kilos per person per day, in comparison with the national average of 1.19 kilos of urban solid waste, while incessantly accumulating the ash from incineration. All of these factors hike up power consumption, as the solutions that they call for generate vicious circles.

In fact, due to the massive tourism, there have been important changes in the guidelines for energy consumption in the Balearics. Three determining factors have impacted this matter: the growth of the economy and thus of the levels of activity; the technological evolution, which has facilitated a more agile use of energy and has fostered the spiralling increase in consumption; and finally the variations in the prices with regard to the different power forms, which have led to a reduction in the end prices. The two fundamental leaders of this quantitative leap were the construction and electricity sectors. Both of these sectors relied almost entirely on external power sources, as the availability of fossil fuel on the islands, the very pedestal of their operations, was limited and lacked the calorific quality necessary to fulfil the needs of a production level that was spurred by an ever-growing demand. In the construction world, the cement industry has increased its business in Majorca since the decade of the 1980s –a phenomenon dubbed as the second tourism boom–, making for an increase in coal and coke imports, from the standpoint of energy. This becomes indisputable when we look at the corresponding figures of these imports: the 22,000 tons in 1981 reached some 63,000 by the early 1990s. The islands' own cement production, which in part is designated to export, though particularly produced to fulfil the different demands of builders, is substantially supplemented by cements from outside the islands, in order to complete the supply in this sector. Moreover, the data relating to electrical energy per capita indicate that the development of the tertiary sector has at the same time meant a vast boom in energy consumption, going from 496 kWh in 1965 to nearly 2,500 in 1988. However, the correlation between these variables and economic indicators does not always imply an improvement in the economy's energetic efficiency, as can be seen in the following table:

Power intensity of the Balearic economy
Power consumption per million pesetas of GDP in constant value

Years	(A)	(B)	(C)	Intensity C/A
1985	794,420	719,879	1,261,908	1.59
1986	827,447	827,447	1,269,520	1.53
1987	894,149	954,146	1,460,693	1.63
1988	956,731	1,087,314	1,530,346	1.60
1989	983,043	1,208,192	1,593,790	1.62
1990	998,616	1,324,576	1,646,127	1.65
1991	1,029,889	1,489,233	1,161,831	1.13
1992	1,044,096	1,623,605	1,596,498	1.53
1993	1,003,028	1,680,451	1,635,094	1.63
1994	1,053,591	1,861,736	1,803,854	1.71
1995	1,101,585	2,034,046	1,876,799	1.70
1996	1,128,254	2,154,615	1,961,109	1.74
1997	1,177,622	2,309,125	2,114,300	1.80

(A) GDP at factor cost, in millions of pesetas at constant value in 1986.

(B) GDP at factor cost, in millions of pesetas at current value.

(C) Gross power consumption, in TEL.

SOURCE: drawn up by the author. The data on the GDP come from the Directorate-General of Economy of the Ministry of Treasury and Budget of the Autonomous Government of the Balearic Islands. Our appreciation goes out to Maria Marquès for the access to these data. The power variables are from the document *Estadísticas energétiques. Illes Balears 1997* (1997), of the Directorate-General of Industry, the Ministry of Agriculture, Trade and Industry of the Regional Government of the Balearic Islands.

The data illustrate that when there is heavy growth of the regional GDP (which ultimately means that the Balearic Islands is the number one Spanish region in income per capita), such product in the end absorbs any small improvements in energetic efficiency that might emerge due to the adoption of more modern technologies. The times of apparent recession are the only instances in which we see positive signs in the use of energy. In our progression, such is the case of the years 1991 and 1992, due to the impact of the Persian Gulf War, which marked a brief period of awareness of the shortage, and therefore, high cost, of fossil fuels. Yet few distinctions can be made regarding the subsequent trend: for every million Spanish pesetas that the regional product increased, the different production and consumption processes required the input of almost two equivalent tons of petroleum, a trend that is steadily on the rise. There is something unavoidably telling about this figure, as it applies to an economy in which services, and not industry, make up the leading sector. The case of the Balearic Islands reveals that any growth in the tertiary sector might bring forth serious energy efficiency complications if it does not change its consumption model and in turn create incentives for more efficient technospheres, with the aim of bringing down the costs of energy and ecology, and therefore, those of production.

3. Conclusions

From the economic standpoint, and with the exception of certain historical periods, the Balearic Islands have always had an open economy. With its privileged position in the Mediterranean Sea, the archipelago has been a coveted area for different empires, as well as an important link in their military, diplomatic and commercial strategies. Since as far back as the Medieval period, and still today, the excellent pure economic rent of the Balearics has given rise to an essential commercial development that has at the same time spurred changes in the islands' production supply. The Balearic Islands have come to the end of the millennium with a definite leading position in relation to Spain's other regions, and are moreover well positioned among Europe's most advanced areas. Given these assertions, two questions come to mind. First, what caused this situation? And second, why has this occurred in the Balearic Islands and not in other economies with a similar or better set of circumstances, and particularly other island areas in the Mediterranean? The most irrevocably persuasive answer is thought to be the arrival of mass tourism to the Balearic archipelago, which is understood as a revolutionary factor. While this is undoubtedly correct, we must warn that it also proves to be incomplete. Hence, we pose three final thoughts as possible channels for debate (and consequently for study):

1. For the Balearic Islands, the study of trade has made for a stronger and more completely understood analysis of the economy's internal factors, such as the agricultural structure, the impetus of its own market, and the manufacturing and industrial activities. Scarcity, in the case of island economies, can culminate in two scenarios. The first possibility is that the economy takes the more arduous road of self-sufficiency with few options, inexorably giving rise to isolation and social insecurity. Corsica, Sardinia and Sicily are three eloquent examples of this phenomenon. The second alternative is for the authorities, merchants, businesspeople, small manufacturers—in a word, the social agents—to find the best formulae to obtain that which is not produced in the country itself. More importantly, they try to sustain such channels to prevent undesirable situations from springing up anew in the future. It is this second strategy that the Balearics adopted: seeking out—and finding—alternatives to states of depression. In this sense, the exports transported by sea were essential to finance the imports of food, raw materials, machinery, energy input and the like, until the 1960s. By specifying these goods, we have been able to infer the changes that were occurring in the productive structure of the islands, to such point that we can cast doubt on many of the affirmations that were invariably upheld with regard to the growth of the Balearic economy. In the case of Majorca, the island's productive mainstays have proven to be far richer and more diversified than formerly assumed by previous investigations that were more focused on the agricultural world. As to Minorca, we have seen that its particular road to growth owes far less to the

British and more to the plans of the local entrepreneurs themselves. If it is true that one of the Balearics' greatest problems of economic development is the lack of market knowledge and the surrounding uncertainties, there is no doubt whatsoever that the Balearic economy has easily overcome this obstacle in the course of its most recent economic history. This constant move closer to the world of trade has strengthened abilities and attitudes, both in transactions primarily centred on island demand, and in business deals with more distant markets, outside of the country. With reference to this last point, the "invisible entries" on balance sheets must have played a crucial role in the economic growth of the Balearic Islands. The matter is more fully understood at closer chronological stages, as a result of tourism. Yet it is also true that before the advent of tourism, the returns on capital, the culmination of profits in affairs beyond the islands' own productive economy, the pay-offs of marine insurance, and the movement of capital for currency exchange purposes must indeed have been ingredients that helped to offset the lines of the balance of payments.

2. The case of the Balearic Islands underscores a fundamental idea: the existence of non-conventional elements that also help to understand the economic growth of a country or region. Perhaps this is the most original contribution of the Balearic model. The islands, lacking in what has always been considered to be the fundamental conditions for modern growth trajectories, such as accessible energy inputs, industrialization in the leading sectors, and others, have nevertheless seen enough economic proposals—directed by a whole host of anonymous agents—to accelerate their pace of growth. These microeconomic projects indeed had macroeconomic impact. It is particularly this impact that has been assessed in this study. We have thus seen that since as far back as the year 700 Majorca and Minorca showed clear signs of latent and available entrepreneurial ability. While this could not always be seen on the surface, this ability organised and recovered one of the islands' greatest comparative advantages: the versatility of their labour force. It is precisely this ability, which has manifested in the changes of the respective island economic structures, that fostered feedback effects, in addition to the new challenges. In other words, and by way of example, the application of the conventional tools used to analyse the composition of the job market, with the classic Clarkian sectorialisation in the Balearics, has frequently led to conclusions about the Balearic economy, which, though presented as irrefutable, were erroneous all the same. It is true that economic historians continue to adopt this parameter—as we have done in this study—, as it proves to be convincingly useful in many cases. However a deeper understanding of the historical evolution of the Balearic economy alerts us to situations of mobility, multiple activities and small- and modestly-scaled initiatives, which often have a very incidental connection with the conventional rules of strict sectors. The agriculture-industry dichotomy is not firm and fixed—nor can it be automatically assumed—in Majorca and Minorca. This has been the case since the end of the 18th century, when the classification

of these islands' respective economic norms—in which the intensity of their labour force and professional expertise were their fundamental assets, along with strong commercial ties—converted both islands into clear examples of an economic development that cannot be easily ascribed to more rigid conventional models.

3. Tourism erupted early in Majorca and not in Corsica, Sardinia, Sicily, Malta or even on the eastern coast of Spain, due to other factors that to a certain degree distinguished the economic growth of this Balearic Island. Our conclusion here is that the Balearic economy was not poor at the time of the changes in Spain's politics and economy in the late 1950s. This was due to the fact that the economic base of the islands, which had overcome the squalor of the 1940s with enormous difficulty, as it had done in other past eras, was nevertheless discovering itself to be solid enough to recover, and by around 1960 to find itself among Spain's top regions in terms of income, alongside the historically industrialised economies. The key to the Balearic success resided in following two past strategies: producing to sell and acting as intermediaries between the supply and the demand. We believe that these historical bases, though not exempt of problems, contradictions and recessive phases, offer the most perceptive explanations for an understanding of the entire process. Here, the essential sources of strength were the historical expertise and skills in negotiating with distant markets, the ability to change currencies—which has always been enormously difficult—, devising efficient strategies to reduce transaction costs, and in short having the ability to transform one economic sector into another, using the very capital that has historically represented the growth of the economy. In this sense, the economic evolution of the Balearics more closely resembles that of Valencia than those of other regions with a classic industrial fabric. In the case of the islands this is in short their particular demonstrated skill at investing. The development of the Balearic economy—beginning with Majorca's wine-producing expansion in the 18th century, moving on to the advance in the manufacture of footwear and wool and cotton textiles in Majorca and Minorca, with the extension of almond and fig groves and irrigated crops in the greater Balearic countryside throughout the 19th and 20th centuries, and finally reaching the advent of mass tourism in both territories—must be viewed as a continuous process, with two separate systems of logic on the two islands, yet with the common traits described above. Hence, and although this is obvious, we are beholding a long history with a wide range of repercussions, external economies, and links. Therefore, there are decisive connections between the investments of the different periods analysed: to speak of irreconcilable breaks with the past—as is usually done when examining tourism, which is completely torn away from the whole previous economic process—does no more than cloud the correct understanding of the economic evolution, as such an approach ignores the most direct precedents that justify the tourism boom, casting off into oblivion the important capital that made such situation possible.

4. The tourism and territorial planning policy as an example of the Balearic society's innovation and leadership capacity. The tourism and territorial planning policy in the Balearic Islands is a good example of the Balearic society's capacity for innovation and leadership for the whole of the Spanish state. Thus, in the early 1980s when the state transferred a good part of its jurisdiction over tourism and territorial planning policy to the autonomous regions, it was immediately the region of the Balearic Islands that distinguished itself by defining a new tourism policy at the vanguard in the control of hotel growth, by introducing a whole host of innovations in territorial and urban planning initiatives. Some such examples are the Cladera Decrees in the 1980s, the *POOTs* [Tourism Supply Plans] of Majorca, Ibiza and Formentera and the general Tourism Law in the 1990s. Surely this tourism policy slowed the growth of the tourism supply; yet it was unable to stop the booming growth of the residential construction that emerged throughout the 1990s. The situation currently at hand requires far stronger policies that fully affect territorial planning. Such is the case of the urban planning moratoria of the Council of Majorca and the Balearic Government, as well as the Guidelines for Territorial Planning that came into effect in the late 1990s, culminating in 2002 with the implementations of the Ecotax and the Recovery Fund for Tourist Areas, and the approval of Minorca's Island Territorial Plan, which for the first time links and subordinates the planning policy for tourism lodging to the priorities marked by urban planning, under the key criteria of sustainable growth.

This change in model is not exempt of contradictions and opposing interests that often seem to question the entire transformation process, yet in essence there exists a leadership capacity in the organised civil society. This spirit can be seen in the more than 29 Decisions and 3 Reports approved by the Plenary Session of the Economic and Social Council, which are a clear manifestation of the ability to reach agreements regarding any current problem that might determine the future of the Balearic society, as is the case of tourism and territorial policy.

From a "Schumpeterian" long-term perspective, we are presently standing at a historical crossroads, as was the commitment to "sun and sand" tourism over fifty years ago. Today, the big challenge of the future is to use tourism as a lever for the transformation of the Balearic society, which needs to cross over from the path of the sole cultivation of "sun and sand" tourism to the path of a society, which, based on its expertise in tourism, can find the way to open up a niche of leadership within the new knowledge- and information-based society. History has shown us that this type of transition is far easier when a society is equipped with a solid institutional structure based on its own organised civil society.

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