



*El largo camino hacia la modernización económica
de España (1840-1940): Ideologías Políticas y Económicas*

*The Long Road to Spain's Economic
Modernisation 1840-1940: Political
and Economic Ideologies*

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Abstract

Behind the intensely political debates over the economic modernisation of Spain in the nineteenth century lay fundamentally different ideological assumptions about the nature of society. This paper explores the development of economic intervention policies and the conflicting and unstable alliances that underpinned them by examining the thinking of five key figures who encapsulated the different phases of Spain's long path from *laissez-faire* liberalism to Francoist autarky. It concludes that the external economic and ideological pressures played a crucial role in shaping the long debate.

Palabras clave: Spain's economic modernisation; Ideology; Intervention policies; Free Trade.

Resumen

Detrás de los debates altamente políticos sobre la modernización económica española en los siglos XIX y XX, subyacen distintos presupuestos ideológicos de la naturaleza de sociedad. Este ensayo explora el desarrollo de las políticas de intervención económica en España y las alianzas opuestas e inestable que las sustentaban a través de una revisión del pensamiento de cinco figuras clave que resumen en sí misma las distintas etapas del largo camino español que va desde el liberalismo *laissez-faire* hasta la autarquía de Franco. Se concluye que las presiones económicas e ideológicas externas jugaron un papel crucial en la conformación este amplio debate.

Keywords: Modernización económica de España; Ideología política; Políticas de intervención; Comercio libre

Introduction

THIS PAPER LOOKS AT THE DEVELOPMENT of economic policies and practice designed to achieve the industrial modernisation of Spain as the country responded to the onset and rapid spread of the Industrial Revolution from the beginning of the nineteenth century. It covers the period from the consolidation of the liberal monarchists in the 1840s to the establishment of Franco's autarkic economy in the 1940s.

To illustrate different phases of this century-long process the essay reviews the ideas of five important protagonists of economic reform: Juan Güell y Ferrer, Pablo de Alzola, Santiago Alba, Juan Calvo Sotelo and Juan Antonio Suanzes. Within this framework, the essay also considers the contribution of three other important figures whose ideas were particularly influential: Cánovas del Castillo, Antonio Maura and Flores de Lemus. The review concludes that Spain was the focus for an intense political struggle over the road to modernisation, a struggle that was largely shaped by external material and ideological pressures. Combined with Spain's failure to achieve a stable internal political settlement, this struggle prevented the emergence of a coherent, integrated set of ideas about what was needed to achieve economic competitiveness.

Background

DURING THE NINETEENTH CENTURY, economic debate over Spain's industrial modernisation was dominated by the conflict over free trade. This bitter battle had been apparently closed with the approval of the 1906 Tariff Law, when Spain became one of Europe's most protectionist nations. Nonetheless the debate continued throughout the twentieth century, reflecting the profoundly divided views over the country's role in the world. The rejection of Franco's economic autarky, leading eventually to Spain's acceptance of the European Union's free trade policies in the 1980s, appeared to have finally settled the issue. However, in the twenty first century, the re-emergence of nationalist movements suggests this apparent finality is less certain.

Throughout the period, the debate over trade with the outside world was intensely political, often cutting across economic class interest, party and regional loyalties. Underlying the conflict were fundamentally different ideologies about how best to organise society. On the one side, there was a broadly liberal approach, seeing individual economic and political freedom as the agents of progress, with a minimal role for the state. In Spain in particular, this was strongly associated with the British economic and political thinking of Adam Smith and Ricardo. On the other hand, the more communitarian view argued that society (and therefore the state on its behalf) had a central role in expressing collective interests alongside the exercise of individual rights. In Spain, this approach was closely associated with the German and French intellectual traditions of Friedrich List, Krause and Colbert, Saint-Simon and Fourier¹. Within these two approaches, interest groups and political parties were able to identify their own special demands and traditions. Consequently, both the free trade and protectionist camps became alliances of a range of groups whose ideas and interests often conflicted. The outcome was that neither side were able to create a politically or intellectually coherent agenda to support Spain's industrialisation. There were attempts from both sides to develop a more nuanced and deeper programme of change, but both free traders and protectionists remained largely trapped in political slogans, often involving little more than quasi-religious intonations of faith in their approach. The aim of this essay is to examine the efforts made by a range of thinkers to break out of simplistic political and intellectual slogans to create a broader economic policy for modernisation.

Throughout the period, two major problems prevented either protectionists or free traders from creating a consensus around a programme, adequate for the profound changes needed for Spain to industrialise successfully. First, the range of interests within each side created contradictory demands that could not be resolved. On the protectionist side for example, one of the central problems was how to bridge the Castilian *cerealistas*' demand for high food prices with the industrialists' interest in keeping wages low. For their part, the free traders tried to accommodate both the liberal institutional modernisers, who wanted fiscal change, and the traditional Andalusian landowners, determined to resist any change to ownership and tax systems. The price for holding such politically disparate alliances together was intellectual stagnation and a failure to develop detailed policy demands.

The second problem revolved around Spain's role in the new political and economic world created by nineteenth-century industrialisation. Within Spain, there were three, essentially conflicting, visions. First, a largely conservative view that

¹ Maluquer de Motes, J *El Socialismo en España, 1833-1868*, Barcelona, 1977.

Spain should preserve and, where possible, re-establish its longstanding imperial role, drawing on colonial resources and markets to sustain its competitiveness. Second, a view, typical of the progressive liberals, that the country should take its place among the advanced industrial countries of northern Europe on equal terms by embracing free trade and foreign investment. Third, there was a view, widespread among both conservatives and 'moderate' liberals, that Spain should accept its subsidiary role as a supplier of raw materials and agricultural products to the more advanced industrial powers. During the nineteenth century (and to a declining extent, over the subsequent four decades of the twentieth century) Britain played a central role, ideologically, politically and economically, in this debate. In the early nineteenth century, George Canning, as Foreign Secretary, curtailed Spain's attempts to retain its Latin American colonies. Later in the century, Britain, alongside France, frustrated Spanish attempts to build viable colonies in North Africa. In terms of economic policy, Britain paid occasional lip service to support for Spanish industrialisation. The leader of the free trade movement in Britain, Richard Cobden, among others, tried to persuade the Spanish government to embrace free trade as the best route to achieve this. In practice, however, and increasingly overtly through the century, Britain argued for Spain's complementary role as raw material and food supplier to take advantage of its 'natural' resources, an essentially neo-colonial strategy, based on a Ricardian view of the division of international labour.

The attempts of both the free traders and protectionists to define Spain's external role in face of these external economic and political pressures led to contradictions which undermined their coherence. Thus, both sides contained members who argued strongly for a re-establishment of Spain's imperial role as the basis for economic development and, while most protectionists strongly resisted a subsidiary role for Spain in the world economy, many free traders implicitly accepted it. On the other hand, most free trade supporters, especially in the mid nineteenth century period of liberal governments, believed that the adoption of free trade would by itself lead to modernisation and industrialisation. Again, the need to maintain political coherence in face of these profound differences in views about the outside world, led to a failure to develop an integrated analysis of objective and means.

In illustrating this chronic failure to develop a coherent strategy for modernisation, the review considers five key points in the debate: the high point of the liberal period, the conservative reaction during the Restoration, the post 1898 regeneration debate, the Primo dictatorship's solution and finally, Franco's attempt at resolution through fully-fledged autarky.

1. Güell y Ferrer and the Liberal Apogee

JUAN GÜELL Y FERRER WAS A SUCCESSFUL CATALAN cotton manufacturer who had originally made his wealth in Cuba. With his extensive and meticulously researched writing, he quickly became the leading voice of the protectionists from the 1840s. For example, his 1846 debate with Richard Cobden (during Cobden's famous European tour to evangelise the free trade case) was widely covered by the national press in both countries. During the 1840s, Cobden's ideological campaign (financed by the Manchester cotton interests) reinforced Britain's intensive diplomatic, political and commercial efforts to open Spanish markets to British products and undermine Spanish competition. This British offensive resulted in a wave of free-trade tariff reforms in Spain in the 1840s, led by the monarchist liberals. This, in turn, spurred a political campaign of resistance to tariff reductions (though not to reform in principle) centred in Catalonia. Led by Güell, this had two features which characterised the protectionist movement throughout the nineteenth century. The first was a commitment to a strong Spanish nation and an active state, as an expression of the country's collective interests. Second, for Güell and his followers, the industrialisation of the country was the essential means to build a strong economy, to free itself of its backward institutions and to take its proper place among developed European nations. This path required tariff protection for its developing industries and an active policy of industrial development by the State. Güell's protectionism was thus a reforming, and in many ways a liberal movement, founded on a firm belief in individual enterprise, whose aim was to use the State's economic policies and institutional practice to create a national market for Spain's industry. In terms of economic theory, Güell drew on Friedrich List's arguments for the protection of infant industries, though he accepted the English neo-classical economists' view that economic welfare was maximised by free trade, once competition on equal terms between trading nations was achieved.

He and his followers faced two problems. First, support for their ideas was narrowly based on Catalan's textile industry and some of the emerging industrial areas in Seville, Malaga and Bilbao. Although Güell carefully cultivated the support of Castilian agricultural interests, determined to defend their cereal markets from foreign food imports (as did his successors during the rest of the century), these interests were much less interested in (and even opposed to) any wider campaign for institutional reform. Second, he faced the formidable forces aligned to the free trade campaign, which drew freely on British economic and institutional thinking. This campaign appealed to the new urban middle class by pointing to the access free trade would give to consumer goods now becoming available in Europe. Protec-

tionism, it argued, would allow industrial monopolies to make off with unearned gains while depriving Spanish firms of any incentive to be internationally competitive. With overt British support, it appealed to the traditional landowners, notably the winegrowers of Andalusia, with its suggestion that protectionism would benefit industry at its expense and shut off the lucrative British markets. It appealed above all to Spanish nationalism by arguing that protectionism was simply a product of Catalan exceptionalism.²

Despite a weak national base and ideologically divided supporters and, in face of a liberal free trade consensus that grew in strength through the 1850s and 1860s, the protectionist lobby managed to preserve many of the tariff barriers for the Catalan cotton industry, reflecting the strength of its political support in Catalonia. Behind these barriers, and despite the high levels of smuggling (often with British connivance³), the Spanish cotton industry expanded rapidly, mechanising and organising itself into larger units. Outside this sector however, there was little industrial development except in the mining sector, and Spain fell progressively further behind its European peers. For many free-trade supporters, this was not in itself a problem. They were prepared to accept a subaltern role in the world economy, supplying wine, agricultural products and minerals in exchange for the consumer goods of northern Europe.

For the protectionists, however, this relative decline highlighted the need for broader measures of reform. During the 1850s and 60s, Güell's writings and political activity began to deal more fully with the other aspects of reform necessary for industrialisation. He attempted to develop national institutions, such the Industrial Institute of Spain,⁴ which could build a base of support outside Catalonia. He outlined a reform programme, to be funded by the proceeds of *desamortizacion*, that involved the need to develop sectors vital for broad based industrialisation, notably machine tools and, especially with the development of railways, the iron and steel industry. He argued the State had an essential role in promoting public investment, especially for infrastructure and communications, a theme that was to become an increasingly important political demand on all sides. Güell however linked this argument to the protectionist case, pointing to the negative impact on the economy (by adding to the already unsustainable levels of foreign debt) unless

² The depth of the invective was both extraordinary and revealing about the deep resentment and insecurity of the Madrid establishment: the Catalan industrialists were 'voracious birds of prey, hungry wolves who devoured the substance of the Spanish, monopolists, barbarians, Bedouins, detestable tyrants, executioners of the workers' Pugés, M *Cómo triunfó el proteccionismo en España*, Barcelona, 1931, p91.

³ Sánchez Mantero, R *Estudios sobre Gibraltar: Política, diplomacia y contrabando en el siglo XIX*, Cádiz, 1989, Capitulo II.

⁴ Pugés, Idem p76.

there was a parallel domestic development of the productive economy to supply the public projects. Presciently, he made the case for investment in the iron and steel industry to ensure that it could supply the rapid expansion of the railway network in the 1860s, attacking, at the time, the government's concession that allowed the foreign railway companies the freedom to import all the rails and equipment.⁵ This lost opportunity was to haunt the country's industrialisation for the following seven decades, into the 1930s. Güell also argued, with others from across the political spectrum, for public investment in education, both primary and technical as an essential basis for the development of industry. More broadly he was committed to building the wages and welfare of the working class as an essential basis for the demand for industry's output.⁶

The sketchy nature of this programme reflected the immaturity of the Spanish economic debate in which even the fledgling socialist groups, although supporters of protection, had no broader programme of change.⁷ More broadly, the protectionists' lack of a detailed reform programme was an indication of their commitment to two of the underpinning beliefs of neo-classical economics: namely to free trade as an ideal state in the long term and to the essential role of private enterprise in driving the economy. This is clear evidence that Britain continued to maintain its neo-classical ideological hegemony in Spain (as well as political and commercial dominance) by the time of Güell's death in 1872. The protectionists who succeeded Güell, however, were to question both these assumptions.

2. Alzola and Cánovas: The Conservative Reaction

THE AGRICULTURAL AND INDUSTRIAL CRISIS OF THE 1870S marked an important turning point for both Britain and Spain. The crisis marked the passing of the apogee of British economic hegemony. This was to become evident in the developing movement for protectionism in Britain itself over the next decades as well as in Britain's declining influence on Spain's economic thinking and policies.⁸

The 1870s were a key decade for Spain too. Politically, the restoration of the monarchy combined with settlement of the Carlist-inspired schisms, led to increasingly conservative governments within the *turno* system. The decade was also a

⁵ Güell y Ferrer, J *Escritos Económicos*, Barcelona, 1880, p770.

⁶ Güell y Ferrer, J *Observaciones a la reforma del arancelaria*, Barcelona, 1863, p32.

⁷ Maluquer de Motes, J *El Socialismo en España 1833-1868*, Barcelona, 1977, p297

⁸ Paradoxically the 1870s was also the decade in which the British-led mining boom vastly increased Britain's interest and influence in detailed aspects of the governance of Spain, which led to a new phase of investment-based neo-colonialism.

turning point in the debate over free trade. The clearest marker here was the halt in 1875, to the progressive reduction in trade barriers (the famous *base quinta*), which had been one of the central achievements of the liberal free traders' 1869 Tariff law. A key influence behind the change was the agricultural sector. Threatened by the fall in worldwide prices, as wheat from the United States and Russian prairies came onto world markets, the sector, with its dominant political influence in the Restoration parties, began to press for protection in earnest. The broad-based alliance that now supported protectionism, created the basis for an economic nationalist movement, which was to become the dominant political force over the next 30 years.

One of the central figures in leading this movement was Cánovas de Castillo who started his political career as a moderate free trade supporter in the era of Liberal governments, but became a dominant figure in the conservative governments of the Restoration. As an economist and politician, he was able to articulate both the intellectual journey from free trade to protectionism, and, in contrast to his rival, the liberal Sagasta, to negotiate the political challenges it created.⁹ During the 1880s, the rising scepticism about the benefits of free trade became clear in the popular campaigns against the Franco-Spanish trade treaty and the proposed treaty with Britain.¹⁰ In a series of speeches Cánovas provided the reasoning to justify the conservatives' adoption of protectionism, arguing that competitive markets led a divergence of social and individual utility, and that 'for moral reasons it was socially essential to interfere with competitive freedom'. He also suggested that it was 'a clear error of those who believe that to be a supporter of free trade is to be a liberal...the doctrine of free trade has nothing to do with liberalism...it is a particular issue, it is not a question of doctrine'.¹¹ His support for protectionism was thus pragmatic, justified by List's 'infant industry' arguments. Calling for support for national industry, he approvingly quoted US President Grant's (uncannily accurate) riposte to British free trade arguments that 'in a hundred years we will be greater free traders than you'. In another indication of how difficult it was to escape the grip of the elegant simplicity of neo-classical economic theory, he pointed out that, although it was much easier to analyse competition than cooperation, it was impossible to find an adequate substitute for competition as an economic regulator.

⁹ Velarde Fuertes, J, *Tres sucesivos dirigentes políticos conservadores y la economía*, Madrid, 2007, p30.

¹⁰ In the so-called 'age of treaties' Britain had pragmatically acknowledged that its free trade policy was better pursued through bi-lateral treaties than unilateral gestures. The 1860 treaty with France, negotiated by Cobden on the British side, had led the way.

¹¹ Velarde Fuertes, Idem. p37.

More widely and in a frontal attack on the *laissez faire* radicalism of the Manchester free trade school, Cánovas argued that state intervention to improve workers' social conditions had become a crucial condition for economic and political stability. An admirer of Bismarck (an admiration returned) and of Leo XIII's statement on Catholic social responsibility, *Rerum Novarum*, Cánovas agreed with the German Chancellor's three-legged policy of humanitarianism, nationalism and anti-socialism, arguing that 'charity is not sufficient...we need to establish an organisation of the great social movements to supplement individual initiative'.¹² He also explicitly rejected the economic escape route suggested by other regenerationists, like Joaquín Costa, that Spain should rebuild its empire to create jobs. Cánovas poured cold water on these fantasies ('we don't have wings to fly like stronger nations'), asking how it would appear if 'before looking for raw materials in other countries to expand our nation's employment, we hadn't even taken advantage of our own resources', an explicit attack on the foreign exploitation of Spain's minerals.¹³ His conclusion was that Spain's independence depended on remaining a neutral nation and that this in turn meant protection was essential. He then set out the range of interventionist measures he believed necessary to take advantage of protectionism to raise production, proposing state provision of credit, public infrastructure works (especially relating to transport), and support for agricultural reform. His programme to make best use of national assets, also proposed the expropriation of the mines (to 'reverse the surrender of the gifts of Providence'), an indication of the gathering strength of economic nationalism.¹⁴

Cánovas' reluctant (but unstinting) resistance to the Cuban revolution (followed, as a consequence, by his assassination in 1896) meant that he was not able to put these economic initiatives into practice. However Cánovas' underlying philosophy, as well as many of his practical proposals, were taken up among others, by the businessman, engineer and politician, Pablo de Alzola.¹⁵ Alzola's career, largely based in Bilbao, represents an interesting bridge between national and regional politics,

¹² Idem p43. Interestingly he looked to Adam Smith's *Theory of Moral Sentiments*, rather than his *Wealth of Nations* in his search for the appropriate state policy to reconcile individual rights, social welfare and social order in distributing the nation's wealth, explicitly rejecting Say's proposition that only property and capital could achieve this.

¹³ Idem p46

¹⁴ This demand, typical of economic nationalism, became a recurrent demand over the next three decades (for example the state reclaimed the Almadén lead mines from the Rothschild's in the 1920s) but was only finally concluded with Franco's acquisition of the now largely exhausted Río Tinto mines from their British owners in 1954.

¹⁵ Alzola, despite his strong commitment to Vizcaya, was sympathetic to Cánovas' economic vision and had participated with him in an important economic conference in Madrid in 1895 which had set out elements of Cánovas' reform programme outlined above.

and between the eras of free trade and protectionism.¹⁶ Like Güell, he was a liberal technocrat and bureaucrat by temperament but became extremely influential in the unstable political aftermath of the 1898 disaster. Like Güell too, he was a deeply committed protectionist and regional advocate (in his case of Vizcayan industry: he was a director of its largest enterprise, *Altos Hornos de Vizcaya*) while remaining a fiercely patriotic Spaniard. He saw no contradiction between protectionist support for the Vizcayan iron and steel industry and the interests of the rest of Spain, arguing against Arana's Vizcayan nationalist movement (which led him, as a deputy, to support Maura's *gobierno largo* in 1907).¹⁷

Although widely read in European economic and political thinking, his was a practical, engineering perspective (again like Güell) that saw policies proceeding from a particular economic environment and its level of development, rather than from universal theoretical principles. He particularly disliked the simplifications, reductionism and lack of empirical study that characterised classical economics (and its socialist version) and firmly repudiated the free trade supporters who 'pathetically confused political liberty, for which they struggled with determination, with freedom of commerce'.¹⁸ Unlike many of the protectionists however, he did not argue that free trade was the single source of Spain's failure to industrialise, but pointed to a range of factors, notably the inequitable tax system and the dependence of public investment on private initiative (a '*régimen de libertad*' leading to 'the incomprehensible abolition of grants for public works' and tariff exemptions for railway imports). Like Güell and Cánovas, his reform programme saw state intervention as a crucial partner to protection. However, his broad knowledge of industry and public administration enabled him to propose a much more sophisticated intervention programme, based on the identification of key strategic industries. Initially, working with Cánovas' 1895 Government, he formulated a range of special measures to support investment in machinery for rail, shipbuilding and agriculture sectors. Alzola's programme was given strong impetus by the regenerationist movement that sprang up in the wake of the 1898 Disaster. At the Zaragoza Assembly of Chambers of Commerce in 1899, a nationwide initiative designed to define new direction for the country, Alzola was charged with leading a 26-member commission to develop a practical national programme to develop the country. The

¹⁶ Alzola was Mayor of Bilbao in the late 1870s, at an early stage in its extraordinary growth spurt, where he confronted the problem of resistance to development by individual property owners. This experience reinforced his suspicion of untrammelled individualism and property ownership and he strongly argued in support of the state's power to intervene on behalf of the community through compulsory purchase of property.

¹⁷ Barrenechea, J *Pablo de Alzola y Minondo: Selección de textos*, [Clásicos del Pensamiento Económico Vasco, Tomo VI], Vitoria-Gasteiz, 2002

¹⁸ *Idem* p218.

second meeting in Valladolid in 1900, brought Costa's *Liga Nacional de Productores* to join the Chambers. Against Alzola's advice it was decided to form a political party, the *Unión Nacional*, headed by Joaquín Costa, Santiago Alba and the President of the Chambers of Commerce, Basilio Paráiso.¹⁹ Alzola believed that such a politicisation of the regeneration agenda would weaken it, so he chose instead to work on tariff policy reform.

The Government appointed him to chair a Commission to investigate reform of the pathbreaking protectionist legislation in the 1891 Tariff law. Alzola's work was to become the basis for the landmark 1906 Tariff Law which defined Spain's economic policy towards the outside world for the next 30 years. Throughout, Alzola was clear that Spain's modernisation was not a matter of tariff reform alone, and as part of the Commission's work, he developed a comprehensive and budgeted plan for economic development. This involved extensive public works at national and local levels, agricultural investment, reforestation, support for education, tourism and the arms industry, as well as a scheme to redistribute the costs of protectionism to reduce the impact on consumers and maintain pressure on industry to improve its productivity. This work, and his participation in Maura's government was to be a strong influence on the development of the intervention agenda for both the remaining Restoration governments and under Primo de Rivera's dictatorship.

3. Maura, Flores de Lemus, Alba and the Regeneration Debate

THE DECADE BEFORE THE FIRST WORLD WAR saw elements of the regenerationist ideas, including some of both Alzola's and Costa's proposals, put into practice, with the launch of hydraulic initiatives, education reforms and further railway building, especially under Maura's government of 1907 to 1909.²⁰ Maura, 'the Spanish Bismarck', represented a break with liberal conservatives, with his explicit economic

¹⁹ The *Unión Nacional* failed to unite the disparate middle class groups around Costa's regeneration vision and this left him bitter about the capacity of the Restoration parties to lead a programme of reform. Although flirting with both republican and socialist parties, his most famous statement, that Spain needed 'an iron surgeon' to bring about real change, put him in an authoritarian tradition which led first to Primo de Rivera's and then Franco's dictatorships. As Saborit points out, however, Costa's was a radical challenge to Spain's landownership based on his belief in the deep traditions of agrarian collectivism. Saborit, *A Joaquín Costa y el socialismo*, Madrid, 1970, p116.

²⁰ Cebellos Teresi's monumental history of government initiatives in the first third of the twentieth century records a series of modest investments in public projects over the period escalating in scale through the decade to Gasset's 105m peseta programme of road, hydro works, ports and agricultural support in 1911, Cebellos Teresi, *J La Realidad Económica y Financiera de España*, Madrid, 1931, volume 1.

nationalism and support for interventionist regeneration and social reform.²¹

Key to social reform was reform of the inequitable tax system. Maura's Finance Minister, Garcia Alix, commissioned Flores de Lemus, economics professor at Barcelona, to lead a project to move the tax burden from indirect consumer taxes to inheritance and profit taxes.²² Alongside this programme, Alix and de Lemus also proposed a 'budget for reconstruction' of the public services, and de Lemus led the 1908 review of the railways, which restricted role of foreign participation. De Lemus accepted the need for protection, but like Maura and Alzola, recognised that agricultural reform and infrastructure construction and measures to support industrial production were crucial conditions for success. His, like many of his generation, was a pragmatic vision: 'protection has no absolute value...it can give life or death, everything depends on the circumstances and the way it is put into practice'.²³ It was an indication that Spain's economic debate was moving away from the simplistic ideological duels of the nineteenth century to a pragmatic dialogue over the practicalities of reform. However in the short term, Maura's interventionist policies, together with the populist support for him, threatened established conservative interests and he was dismissed in 1909, before his reconstruction programme could be implemented.

Five years later, Spain's economic backwardness and the inadequacy of its regeneration projects was brutally revealed by the First World War. The costs and benefits of war fell in a wildly unbalanced way between the country's different groups and regions. These imbalances were made worse by the manifest inadequacies of Spain's financial, taxation and infrastructure systems and by the low level of its industrial development. Within two years of the War's start, these shortcomings had created both economic and political crisis. In response, Romanones' liberal government of April 1916 appointed one of the original regenerationist activists, Santiago Alba, to be Finance Minister, and in June 1916 Alba proposed a wide-ranging programme of reform.

This acknowledged the failure of earlier reconstruction projects to improve public services and which had led to unsustainable levels of public debt. The centrepiece of Alba's proposed budget was a special tax on the 'super profits' that had been

²¹ Velarde Fuertes, J *Tres sucesivos dirigentes políticos conservadores y la economía*, Madrid, 2007, p139

²² Flores de Lemus, like Alzola, was a patriotic, pragmatic, Germanic bureaucrat in the Weberian tradition ('hard, haughty, punctilious but also diligent, honourable and efficient'). An Andalusian, educated in Germany, he was to become, like Keynes, a key figure in developing economic policy for successive regimes over the next 30 years. Velarde Fuertes, J *Flores de Lemus ante la economía española*, Madrid, 1961, p43.

²³ Idem p118. Equally he argued that 'free trade without agricultural reform, without politically unified territories, without roads and cheap transportation and railways, 'would be like giving freedom to travel the world to an invalid', p114.

earned from the special circumstances of the war which would help fund a 10-year programme of public investment. Reflecting the regenerationist consensus that had emerged over the previous 18 years, Alba showed an appetite for intervention and nationalism that represented a clear break from his party's economically liberal, free trade past. In his words, the reconstruction programme involved putting into practice 'a nationalist policy of economic autarchy...which would create, stimulate and intensify, with the intervention of the State as the only way this could be done... the great task of making Spain self-sufficient'.²⁴ In order to win bipartisan support the programme was deliberately developed from a range of long standing ideas and project proposals.

It was made up of three sets of proposals. The first covered the 'ordinary' budget including education (new schools and primary teachers), reductions in military spending in Morocco, a move to tax profits rather than production, the development or extension of monopolies in alcohol, explosives, tobacco and matches (a pragmatic policy to improve revenue collection, rather than an ideologically driven proposal). The second, the so-called 'extraordinary budget' included the proposal to tax the 'super profits' of wartime industry. He also argued against another nineteenth-century liberal shibboleth, the balanced budget, pointing out that 'a love of the fetish of a balanced budget' in the past had starved funds to pay for infrastructure and resulted in fragmented and delayed (and therefore more expensive) projects. Anticipating Keynes, his argument was that 'a manager of the finances of a country is not simply the manager of a limited company' but must be able to make investments in capital using credit.²⁵ The extraordinary budget amounted to 2,134m pesetas, half of which was for the Ministry of Public Works (mostly for roads, railways and ports) and another 10% for education. Though large, it amounted to only a little over 1% of GNP and would not have 'crowded out' private investment as was alleged at the time. Alba's third set of proposals revolved around support for the private sector to expand production and was introduced with an open argument for an activist state which 'has to be a driving force, the most active, diligent, even if you like, the most audacious driving force behind the expansion of national wealth'.²⁶

This programme (and its justification) was a further illustration of the political break with the free trade, liberal assumptions of the previous century. It focused on support for provision of credit for agricultural investment (together with fiscal measures to change the pattern of ownership) and for industrial investment. In

²⁴ Alba's speech to the Cortes, June 1916, quoted in Cabrera, M [et al] *Santiago Alba*, Madrid, 1989, p267.

²⁵ Idem p327.

²⁶ Idem p341.

addition, Alba built on work that Alzola, Flores de Lemus and others had done in identifying nationally essential economic sectors where 'we should not be dependents on the outside world', such as the merchant marine, coal mining, iron and steel products, minerals, machine tools, fertilizers, agricultural machinery and chemicals. In words which Juan Güell could have used eighty years before, the aim was to provide an impulse to 'the flowering of great industry in the country' by smoothing its development path. The policy in particular won broad support and, as Cabrera points out, was reflected both in Primo and Franco's approach to industrial policy.²⁷

In the event the impact of this final attempt of the Restoration parties to deal with the country's economic crisis were only felt in the long term. In the short term, a bitter parliamentary battle in the autumn of 1916 united resistance by industrialists, concerned about the 'supertax' proposals and traditional landowning interests. Together with an opportunist campaign by Cambó to undermine Romanones' liberal government, the result was to kill off Alba's plan, despite the widespread support for the principles of his reforms. The debate nonetheless had revealed a broad, underlying consensus about the scale of Spain's underdevelopment crisis and the direction in which succeeding regimes would look for solutions.

4. Calvo Sotelo, Flores de Lemus and the Primo Dictatorship

THE WORLDWIDE POST-WAR ECONOMIC CRISIS had a particularly devastating effect on Spain and further underlined the chronic failure of Restoration regimes to develop the economy. Protectionism had come to serve special interests, while a disastrous monetary policy, continuing inequity in the tax system, the failure to develop roads and hydropower and the crisis in local government finance had meant 'the national economy had come to the edge of crisis'. As Velarde Fuertes points out, 'the Restoration had never tried to resolve the long-term problems of the Spanish economy. It had been the servant of minority interests to which it was pledged and the economic and social contradictions resulting from its policies had come to appear irresolvable'.²⁸

The political desperation that these failures generated, lay behind the remarkable degree of political consensus that marked much of Primo de Rivera's dictatorship. Its economic policy was designed to secure social stability in the wake of the near

²⁷ 'Subsequent industrial legislation accentuated interventionism and State control and the support measures that Alba claimed would be transitory became a permanent feature' *Idem* p360.

²⁸ Velarde Fuertes, J *Política Económica de la Dictadura*, Madrid, 1968, p15.

revolutionary disturbances of the previous seven years and to ensure Spain was an equal partner among European powers. It built on the economic nationalism and interventionist policies that had been growing in strength over the previous half century, and especially in the wake of the 1898 Disaster. The emphasis was on the twin aims of industrialisation through state intervention and the fairer distribution of the social dividend through corporate bodies (the *comites paritarios*).

These aims underpinned the next major intervention in the Spanish economy, Calvo Sotelo's 'extraordinary' budget of 1926. Calvo Sotelo was a Galician and a *maurista* from youth. Fiercely religious and a monarchist, he was, like Alzola and Flores de Lemus, a pragmatic, authoritarian technocrat with a strong interest in administrative reform and economic regenerationism. Like them he was committed to the 'triple solidarity' of class and monarch, generations (across history) and geography (across the regions of Spain). He saw Primo as a 'providential cleansing factor... able to bury forever the old ways'.²⁹ In December 1925 Primo appointed him as Finance Minister, and, like Alba a decade earlier, he immediately set to work on a comprehensive regenerationist budget. This had many of the same elements as Alba's plan and was even roughly the same scale, taking account of inflation. It included a 10-year plan for public investment to support industry with infrastructure, cheap credit and expansion of the corporatist monopoly sector. He 'introduced expansionary schemes, almost Keynesian in their mobilisation of capital in the implementation of public works projects', channelling funds through new Banks for Local Credit, Foreign Commerce and Agriculture and creating the highly profitable petrol monopoly, CAMPSA.³⁰ Unlike Alba however, he was able to implement much of his plan and indeed, elements of it survived the Second Republic into the Franco era.

Although it provided a measure of stimulus for the Spanish economy, there were two problems that meant that Calvo Sotelo's plans failed to provide the hoped-for 'take-off' of Spanish industrialisation. First, and most profoundly, the Primo de Rivera dictatorship wanted to carry out reform without changing the basic social structures inherited from the Restoration. Unchanged, the system of protectionism failed to encourage capital investment, while agricultural reform and investment took place within an unchanged distribution of land. Thus, like Alba's before him, Sotelo's plans for a profits tax foundered on the opposition of 'the aristocrat bankers', as Flores de Lemus put it, 'the egoism of the conservative classes reluctant to cede any of its prerogatives'. Like previous generations of bureaucratic interventionists Sotelo was caught between his respect for private property as 'the supreme motor of

²⁹ Flores de Lemus, *J Calvo Sotelo ante la II República*, Madrid, 1975, p14.

³⁰ *Idem* p64.

progress of human life in all its forms' and the need to defend the system from the 'egoism of private property' where its interests conflicted with social productivity.³¹ This opposition represented the undisturbed power of the Restoration forces, which Primo relied on for support and which were to turn against his regime in 1929. According to Sotelo himself, his ambitious plans for financing investment were destroyed by conservative elements in the Berenguer's regime that succeeded Primo.³²

The second problem was that the bureaucracy and information systems were wholly inadequate for the planned level of state intervention. This point was made forcefully by Flores de Lemus' landmark report on the problems of the currency and the possibility of Spain joining the gold standard. De Lemus pointed to the excessive control of industry as one of the factors leading to currency depreciation. Sotelo claimed that he had agreed with de Lemus' conclusions but was frustrated by Primo himself and his other ministers, who had 'showed themselves to be intransigent in maintaining, in full force, all the interventionist measures, as well as the guarantees over debt issues.'³³

The Second Republic's economic policies proved themselves to be as conservative as their constitutional and political ambitions were radical. As the Republic's first Finance Minister, Indelécio Prieto capitulated to the pressures of international currency market speculation against the peseta in the first weeks of the regime. This budget conservatism was maintained by his successors throughout the first, progressive *bienio* despite intense pressures for public spending to offset unemployment. As Minister of Public Works (working closely with Flores de Lemus), Prieto later secured some modest regeneration spending on infrastructure. However the scale of this programme was insufficient to make a significant impact on levels of unemployment, and on the pace of industrialisation. Both in direction and detail, the Republic's spending programme was almost wholly based on the plans prepared under the Dictatorship, but it had to operate within much tighter financial constraints, a result of the world trade slump, the international money market pressures on Spain's vulnerable currency and its own political vulnerability.

5. Juan Antonio Suanzes and Franco's Autarkic Economic Policy

THERE IS A CONTINUITY OF THE PRIMO dictatorship's economics policies, that can be directly traced through the Republic's attenuated version, to Franco's autarkic

³¹ Idem p57.

³² Calvo Sotelo, *J Mis Servicios al Estado*, Madrid, 1974 [Second Edition].

³³ Idem p202.

regime. The career and ideology of Juan Antonio Suanzes, the Galician friend of Francisco and Nicolás Franco, is a useful illustration of these continuities in both policy and personnel. As one of Franco's trusted advisers and as his Trade and Industry Minister and President of the *Instituto Nacional de Industria*, he was largely responsible for the formation and implementation of the regime's industrialisation policy. An admirer of Primo's policies, he had been a senior manager in *La Naval* (*Sociedad de Construcción Naval*) and had therefore experienced at first-hand how state intervention was able to address issues of national regeneration. He had also experienced the limits that were placed on its operations as a result of the conflicting objectives of its dominant shareholder, the British shipbuilding company Vickers. Suanzes had complained bitterly at the exclusion of Spanish technicians from key roles in the company but finally resigned in 1934, after Vickers manipulated a bidding process to ensure the British company, rather than *La Naval*, got a construction order for a Brazilian ship. This confirmed Suanzes' suspicions of the dangers of both reliance on foreigners as agents of national regeneration and the operations of private capital.³⁴

When the Civil War broke out, and after being briefly imprisoned by the Republican government, Suanzes made his way via France to join Franco in Burgos. By the summer of 1937 he was part of Franco's close circle of advisers, where he was a major contributor to the formation of the rebel regime's economic policy. A paper he wrote at the time, which was to form the spine of his economic programme, shows that the suspicion of foreigners and of private capital remained uppermost in his mind. The starting point of the paper was the need for the moral regeneration of a country threatened by international conspiracy, regional division and an anti-patriot spirit. As Angel de Arco points out, his criticism of 'capital', 'excessive concentration of wealth', speculators and middle men and usury led him to his autarkic solutions. Economically this included 'the total nationalisation of consumption (autarky)', restriction of imports and the export of those national products that were 'typical of the Spanish brand'. State intervention was to be comprehensive, including the financial system (though he was later to back away from this idea). In summary 'private initiative could not be trusted: the State through Unions, Corporations and its institutions would take the initiative in economic policy' and this would include nationalisation of companies where necessary. For Suanzes, nationalism and militarism should together drive the economy. In Angel del Arco's words, 'the economy would be a key element in the expansion and development of the

³⁴ Quiroga, A and Ángel del Arco Blanco, M *Right-Wing Spain in the Civil War Era: Soldiers of God and Apostles of the Fatherland, 1914-45*, New York, 2012, p155.

country that would proceed hand in hand with virile military power to safeguard the Empire, to which Spain, resuscitated by arms, was marching'.³⁵

This vision was largely adopted by the Franco regime and put into practice when, in the wake of the Axis defeat in 1945, Suanzes was made both Minister of Trade and Industry and President of the *Instituto Nacional de Industria*, the powerful State intervention body whose foundation he had inspired. We can trace the roots of Suanzes' policies to the conservative turn to economic nationalism in the late nineteenth century and developed subsequently by Maura and Primo de Rivera. However, Suanzes' development of the role and objectives of the economy took it far from these roots, into an inward-looking fantasy world of imperial greatness, dominated by a morally regenerated Spanish 'race'. Economic development was the route to this world. The 'New State' could not leave the economy in foreign hands but had to 'intervene in its orientation, development and functioning'³⁶. These were fundamentally different economic objectives from those of preceding regimes. The conservative Restoration regimes and the Primo Dictatorship may have nurtured dreams of creating a new empire, but their economic objectives had remained rooted in a desire to join the European powers as partners, trading freely with them on equal terms. With Franco, the modernisation agenda and the methods for putting it into practice had moved from resistance to the neo-colonial practice of the dominant capitalist powers to a self-referential moral and economic universe to be created by totalitarian means.

Conclusions

WE CAN MAKE A NUMBER OF OBSERVATIONS about the nature of Spain's modernisation from this review:

First, the nineteenth-century debate over Spain's modernisation rarely ranged beyond analysis of the effects of protectionism as compared to free trade on enterprise and trade. Both sides saw a limited role for the State, confined to regulation of trade over borders, defence and the legal system with some limited oversight of the financial sector and infrastructure investment.³⁷ Only as the century progressed was there a more general recognition of the wider policies needed to ensure the economy was competitive in the rapidly industrialising continent and that this

³⁵ *Idem* p157.

³⁶ *Idem* p161.

³⁷ Reflecting the dominance of *laissez faire* economics thinking in nineteenth century Spain, it was even more limited than the Bourbons' economic initiatives in the eighteenth century which had seen a proto-type of regional planning and state support for industrial development.

would require an expansion of the state's role. Nonetheless, throughout the period, there were important differences in attitudes to this development of state authority. These ranged from the British neo-classical tradition (suggesting a minimal role for the state) to proposals for an activist state, an expression of collective needs, typified by the German approach.

Second, even those protectionists who, like Güell and his followers, argued that a more activist State was needed, were unable to develop their ideas in any detail. They lacked an analysis of the challenges of underdeveloped economies, and were anyway attempting to mobilise a State that was itself profoundly fragmented and short of expertise. The protectionists moreover faced fundamental differences of interest within their own ranks, between industry and agriculture, between the different regions and between industries.

Third, attempts to create a consensus over the need for industrial development failed, despite the commitment of its leaders to a national rather than regional perspective. Instead, they were vilified by the Madrid liberal elite as unpatriotic regional chauvinists, interested only in developing their own area at the expense of the rest of Spain, an argument assiduously cultivated by Britain. By the end of the century, the frustration in Vizcaya and Catalonia at the Restoration parties' obdurate refusal to respond to calls to develop national industry led sections of the industrial elite to back Arana's movement and Cambó's *Lliga*. This alliance of business interests with the intellectual and cultural independence movements created a political force that remains strong today.

Fourth, the need for industrial protectionists, relatively weak and isolated, to have the political support of the agricultural interests meant that conflicts of interest between traditional landowning classes and industry were not resolved. As a result, from the late nineteenth century protectionism became a vehicle for conservatives as well as industrial 'liberals'. United with the emerging economic nationalism, this became a potent political force, under Cánovas and Maura. The failure of Restoration parties to resolve their internal contradictions meant this force was taken on first by the authoritarian Dictatorship and then in fascist autarkist form, by Franco.

Fifth, the failure of the liberals' project for regeneration through its 'open economy' policies in the nineteenth century led to their support for the interventionist and protectionist economic policies, expressed most clearly in Alba's 1916 programme. Alba's failure, despite a strong consensus around his overall approach, revealed the inability of the Restoration to achieve political coherence, rather than indicating the continuation of the deep ideological divisions of the previous century.

Sixth, Primo de Rivera provided an authoritarian political vehicle for economic reform on which Calvo Sotelo built a coherent reform project. However, it failed to make a substantial impact, largely as a result of an inability to challenge established landowning, industrial and financial interests, on which the Dictatorship depended for its political support. The project's failure also reflected the lack of capacity and clear priority setting, a situation replicated under the Republic when there were attempts to implement elements of the plan.

Seventh, Franco's economic interventionism took many of the tools and projects generated under the Dictatorship and applied them to create an autarkic State. Its economic aims were fundamentally different from those of previous conservative regimes which had sought to be equals among developed European powers. Now the aim, driven by militarism and national pride, was to create an isolated Hispanic empire of a pure Spanish race. In the 1950s this project was to fail for the same reason as had all the previous conservative regenerationist programmes, from Cánovas, Maura, Alba to Sotelo, namely the successful resistance of established financial and landowning interests and the inexorable political and financial pressures of the outside world.

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