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Joseph Harrison

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Backwardness and progress, 1900–36

In July 1936, elements of Spain's armed forces, garrisoned in Morocco and parts of the Iberian peninsula staged a *coup d'état* against the democratically-elected government of the Second Republic. Not for the first time in modern Spanish history, the nation was plunged into a bloody civil war which divided its peoples, resulted in huge losses of human life and brought about the physical destruction of homes, factories and economic infrastructure. After almost three years of bitter conflict, the insurgents led by General Francisco Franco, who were backed by Hitler's Germany and Mussolini's Italy, emerged triumphant.

Within Spain, Franco's New Order enjoyed practically unanimous support from the military, landowners, big business, the banks and the Church. Urged on by the triumphalist rhetoric of the *Movimiento*, the single party of the one-party state, the new regime set about eliminating all opposition, whether it came from liberals, Marxists, anarchists, intellectuals, home rulers or any other source. Hard-won achievements such as parliamentary democracy, free trade unions, freedom of the press, agrarian reforms or the devolution of power to Catalonia and the Basque Country, were savagely repressed by the Francoist authorities. Put bluntly, post-civil war Spain comprised two groups: the victors and the vanquished. Motivated by a fierce desire for vengeance, the Franco dictatorship continued to execute its former opponents long after the ceasefire of April 1939. At the same time, to escape incarceration or the firing squad, tens of thousands of defeated Republicans and their families fled the country. Most of Spain's exiles were young and active. A country ready to embark on the process of reconstruction could ill afford to dispense with their skills.

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For those who stayed behind, the spoils of war were not to be enjoyed by everyone. For the vast majority of peasants, rural labourers and factory workers, the 1940s was a decade of harvest failure, short-time work, water shortages, power cuts, hunger and rationing. Whatever meagre economic advance the governments of the Restoration Monarchy (1874–1931) and the Second Republic (1931–9) had presided over, in the fields and workshops of Franco's Spain, the dictatorship became a by-word for misery, retardation and abject failure in just about every facet of economic life, apart from a thriving black market. Thanks largely to its mismanagement of economic affairs, little improvement took place before the appearance of faltering growth in the 1950s.

An agrarian society

Early twentieth century Spain was an overwhelmingly agricultural society. At the turn of the century, two out of every three Spaniards worked on the land, a proportion which had varied little since the beginning of the previous century. By comparison, the level of urbanisation south of the Pyrenees was remarkably low. In 1900, only nine per cent of the population lived in cities with over one hundred thousand inhabitants.

The traditional view of the Spanish countryside in the period 1900–36 is one of stagnation and routine. After a widespread agricultural crisis which hit the basic staples of Mediterranean agriculture (wheat, the vine, olives) in the late nineteenth century, large numbers quit the soil. Hundreds of thousands emigrated, mainly to Latin America. After 1887, successive governments reacted to the threat to the livelihoods of the nation's farmers by awarding the most powerful lobbies, not least the cereal growers of Old Castile, hefty doses of tariff protection against cheap imports – the main cause of the crisis. Meanwhile, little was attempted to stimulate the cultivation of other crops in which Spain possessed a comparative advantage in world markets.

Recent research, however, rejects the previously held viewpoint of agrarian immobilism. Despite the absence of a fully-fledged policy for agriculture, the first third of the present century is stated to have witnessed hitherto unacknowledged progress in the

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Spanish countryside. The Grupo de Estudios de Historia Rural contend that between 1900 and 1931 agricultural production expanded by 55 per cent, an average of 1.4 per cent per annum, more than twice that of neighbouring France though starting from a lower base. From 1910 to 1922, according to the group's calculations, it grew by a yearly rate of 2.13 per cent. Within the agricultural sector, livestock farming grew by 123 per cent in the first three decades of the century, a clear reflection of improved living standards. The same period was also characterised by the spread of a number of new products, including oranges, almonds, potatoes, sugar beet and horticultural products. Certain of these crops, like citrus fruit, responded to an increase in foreign demand. Exports of oranges, most notably from the *País Valenciano*, constituted one of the principal sources of income for the Spanish economy in the 1920s. In contrast, the expansion of sugar beet cultivation, centred on Aragon and Andalusia, was largely due to burgeoning internal demand following the loss of Cuba, with its influential sugar cane interests, in 1898. Along with olive cultivation, which developed into one of the most dynamic sectors of Spanish agriculture before the outbreak of the Spanish Civil War, the progress of oranges and sugar beet required massive injections of capital to sustain productivity levels (Grupo de Estudios de Historia Rural, 1983; Jiménez Blanco, 1986).

This optimistic interpretation has not gone unchallenged. Antonio Miguel Bernal, for instance, emphasises the negative effects of Spain's inegalitarian structure of landed property. At one end of the scale was the *latifundio* belt of south and central Spain with its enormous unproductive estates, its absentee landlords and half-starved labouring masses. At the opposite extreme, the north and north-west of the peninsula were scattered with millions of tiny parcels of land, known as *minifundios*, incapable of supporting much more than subsistence farming. Both extremes, Bernal informs us, were archaic. Yet neither was completely stagnant and both were profitable. For their part, the great estates, which were typical of Andalusia, afforded their exploiters the availability of cheap labour together with the presence of a repressive rural police force (the *guardia civil*). The utilisation of labour-saving agricultural machinery remained largely a threat to deter hired hands from putting in excessive wage claims. Prices and profits were kept

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high by tariff protection, while a depreciating peseta discouraged imports. Elsewhere, the *minifundios* lacked capital and technology, yet they benefited from inexpensive labour in the shape of the extended family. Emigrant remittances from displaced members of the peasant community, moreover, permitted the redemption of leases (*foros*) and the modernisation of farms and equipment. Thus, both latifundism and minifundism stayed viable well into the twentieth century. However, the underperformance of Spanish agriculture, with its recurring crises and feudal social structures, convinced progressives of the urgent need for agrarian reform. Above all, in the case of the *latifundios* of the south, the social costs of government inertia were peasant agitation, violence and repression, which reached a climax in the brutal conflict of 1936–9 (Bernal, 1985).

Agricultural productivity in early twentieth-century Spain was pathetically low. According to Bernal, during the period 1900–30, it stood at approximately 30–40 per cent below the average of most advanced European nations. In addition, much of Spain's most fertile soils were devoted to cereal cultivation, with some of the lowest yields in Europe. As late as 1931, three quarters of the cultivated surface was dedicated to cereals and vegetables, which together generated 45 per cent of agricultural income (Bernal, 1991; Tortella, 1984).

Industrial expansion

It is a commonly-held opinion among Spanish economic historians that poor agricultural productivity, which resulted in chronically low per capita incomes among rural consumers, in turn put the brakes on industrial development. Weak demand for manufactured goods probably contributed also to the extremely conservative behaviour of Spanish entrepreneurs. Their high costs of production made Spanish goods uncompetitive in world markets.

Thrown back on an impoverished domestic market after the loss of Spain's American empire at the start of the nineteenth century, modern industry was largely confined to a few isolated pockets on the periphery. Foremost among these islands of progress were Catalonia, centre of the cotton textile industry – Spain's leading

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industrial sector; the Basque province of Vizcaya, with its metallurgical and shipbuilding concerns; and the coalmining region of Asturias. In partial compensation for their comparative disadvantages, Spain's industrialists, along with the country's cereal growers spearheaded the campaign for higher protective tariffs. As José Luis García Delgado shows, during the first third of the present century the Madrid authorities, whatever their political hue, found themselves under constant pressure from the millowners of Barcelona, the steelmakers of Bilbao and the Asturian mineowners for the banning of imports and the reservation of the Spanish market for domestic products. Their strident appeals for economic nationalism were rewarded by a plethora of interventionist measures, ranging from enhanced customs duties in 1906 and 1922 to grants, subsidies and direct purchases by state agencies. According to Enrique Fuentes, Spain, whose economy had been opened up by foreign trade and inward investment in the previous century, was soon converted into the most closed economy in the capitalist world (García Delgado, 1984; Fuentes Quintana, 1986).

The best indicator we have of Spain's industrial performance, Albert Carreras's index of industrial production, shows a pronounced deceleration in the process of industrialisation after 1890, which persisted until the Civil War, with the exception of the period 1922–30 (mainly coinciding with the dictatorship of General Miguel Primo de Rivera) when industrial growth attained an average of 5.5 per cent a year (Carreras, 1984). The generally pessimistic conclusions which Carreras draws from his index possibly overstate the significance of the long-time decline of Spain's mining sector, provoked by a sharp drop in external demand for iron ore, pyrites and lead. Moreover, as Jordi Maluquer argues, Carreras's essentially statistical approach fails to bring out the country's changing economic structure as well as the diversification of the industrial sector which benefited from tariff protection, the depreciation of the peseta and Spain's neutrality during the First World War (Maluquer, 1987).

In addition to the revival of artisan industries such as paper-making and publishing, the period 1900–36 saw noteworthy expansion, stimulated by technological advances, in metallurgy, shipbuilding, the manufacture of railway material, furniture and food processing. Among new industries which took off at this time

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were automobiles and aircraft construction. Another successful industry, cement production, which was highly energy-intensive, was a significant beneficiary of the spectacular expansion of electricity supply. The remarkable upsurge in Carreras's index in the middle and late 1920s reflects, among other factors, Spain's belated urbanisation, above all a boom in residential construction in the expanding cities of Madrid and Barcelona (Gómez Mendoza, 1986). After 1927, heavy industry, especially in Vizcaya, experienced a phase of short-lived prosperity due, in large part, to the Primo de Rivera regime's espousal of large-scale public works projects, including road building, railway construction, electrification and irrigation. In 1930, after the dictator's downfall, his infrastructural plans were abandoned because of their perceived inflationary implications, to the detriment of the real economy (Harrison, 1985).

Despite evidence of a recession in the heavy goods sector after 1930, Spain stood aloof from the worst excesses of the inter-war slump which engulfed the western world. Two of Spain's leading economic historians, Josep Fontana and Jordi Nadal, go so far as to assert that the gravest problems which confronted the ill-fated Second Republic did not result from external or conjunctural factors but from long-term structural problems, especially in agriculture. Here above all, lay the origins of most of the strains and stresses that were to explode into three years of internecine strife (Fontana and Nadal, 1976).

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An outline of economic development since the Civil War

The Franco regime's efforts to reconstruct the Spanish economy after the Civil War turned out to be a long and painful process. Not until 1950 did the index of industrial production move above the peak year of 1929. Agricultural production only reached that level in 1958 (Carreras, 1984; García Delgado, 1987). As late as the mid 1950s, it was calculated, the average Spaniard subsisted on a daily diet of the minimum number of calories and proteins necessary for bare survival (Barciela, 1986). Albert Carreras's reworking of Spain's national income estimates for 1941–5 demonstrates an average annual increase of one per cent, which did little to make amends for an average drop of six per cent a year between 1936 and 1940. His index of industrial production shows a fall of 0.8 per cent a year between 1941 and 1945. From 1946 to 1950 the same indicator reveals a 10 per cent rise overall which compares unfavourably with increases of 70 to 110 per cent in three other countries of Mediterranean Europe: Italy, Greece and Yugoslavia (Carreras, 1984, 1989).

Official interpretations of Spain's miserable economic performance in the first decade after the Civil War usually put the blame on factors beyond the control of the Spanish authorities, not least damage caused by three years of conflict, prolonged drought (dubbed '*la pertinaz sequía*') and ostracism by the international community after 1945. Yet to most Spanish economic historians, such explanations are little more than *post hoc* excuses for failure. Destruction brought about by the Civil War, they contend, was far less than that wreaked upon the nations of central and eastern Europe during the next six years. Moreover, the main industrial sectors of Catalonia – textiles, chemicals and metallurgy – were

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hardly affected by the war. Even in defeat, the Basque Republican government refused to carry out a scorched earth policy. As to the so-called enduring drought, which badly restricted agricultural yields, this could easily have been alleviated by a realistic policy of irrigation along with the provision of foreign currency to purchase much-needed chemical fertilisers. Finally, such matters as the United Nations' boycott of the former ally of the Axis powers, thereby denying Franco's Spain precious amounts of economic aid, have to be seen, first and foremost, as a logical consequence of the *Caudillo's* persistent refusal to countenance political liberalisation (Clavera *et al.*, 1978; González, 1979; Comín, 1986; García Delgado, 1986; Tortella, 1986; Catalán, 1989).

There is little dispute that the fundamental cause of the undistinguished economic record of the New Order, particularly in the first decade of its existence, was the Francoist authorities' obsession with half-baked interventionist schemes aimed at bringing about some mythical form of self-sufficiency. Major economic decisions, meanwhile, were largely entrusted to a coterie of army and naval officers and military engineers who tried to run the country like a military barracks (Tusell, 1988; Velasco, 1988). The opportunity cost of their pet projects was of little or no concern to them. Technical feasibility was the paramount criterion when it came to policy making (Velasco, 1984). Pedro Schwartz and Manuel-Jesús González characterise their attitude thus: if there is no coal beneath the ground or an unforested hillside, or an unharnessed waterfall, why not allocate resources to bring them into production (Schwartz and González, 1978).

The regime's forlorn quest for autarky led to the imposition of arbitrary bureaucratic controls down to the most trivial decision. While the dictator himself displayed a crass ignorance of elementary economic principles, the incompetence and venality of his ministers and the army of underpaid civil servants who implemented policy became legendary. Farmers and industrialists, in search of a particular commodity, often had no alternative than to bribe a corrupt administrator or turn to the black market (Fusi, 1985; Tedde, 1986; Payne, 1987).

Policies of protectionism and import substitution, already in the ascendancy before the Civil War, were massively reinforced after 1939 by an arsenal of interventionist measures and devices. While

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exports were thwarted by an overvalued peseta, imports of raw materials that were to be found in the peninsula, whatever their quality or costs of extraction, were generally prohibited. In addition, to tackle Spain's perennial trade deficit, the authorities resorted to a gamut of quotas and import licences (Donges, 1976; González, 1979).

By the final years of the 1940s, it was evident to all but the most blinkered ideologue of the regime that Spain's autarkic policies had failed disastrously. As bankers and foreign diplomats reported, the economy was plagued by crucial shortages of basic foodstuffs, raw materials and capital goods. The road and railway systems were in a state of near collapse. In addition, Spaniards suffered the consequences of the worst inflation in the country's recent history (Harrison, 1991). No recovery appeared remotely possible in either agricultural or industrial production without a major crash programme of imports. Yet where were the required funds to come from? Notwithstanding the frantic machinations in Washington on Spain's behalf of a well-orchestrated 'Spanish Lobby' of influential American Catholics, anti-communists, military planners and businessmen with interests in the peninsula, the country remained firmly excluded from the European Recovery Program (Marshall Aid). Fortunately for the Franco regime, between 1947 and 1949, Spain was bailed out by credits of \$264 million from the sympathetic Perón regime in Argentina. Yet this sum was largely used to purchase cereals and other foodstuffs to feed a starving population. Moreover, in July 1950 Argentina, itself experiencing economic difficulties, suspended all credit sales to Spain. Then, in November 1950, as the Cold War worsened, the US Congress approved a modest loan of \$62.5 million to an administration which had consistently pleaded its forthright opposition to the Red Menace. Despite objections from the Truman White House, which delayed payment, a new political climate emerged culminating in 1953 with the signing of a military and economic agreement with the Eisenhower administration (Fanjul, 1980; Viñas, 1981, 1982, 1984).

Economic growth and instability

With the provision of United States' aid, the 1950s witnessed a phase of impressive economic growth and structural change south

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of the Pyrenees. National income, measured at constant prices, rose by 54 per cent over the decade, while the proportion of the active labour force employed on the land dropped from 49.9 per cent in 1950 to 42.5 per cent in 1959. Carreras's index of industrial production shows a yearly increase of 6.6 per cent in the period 1951–5 and 7.4 per cent between 1956 and 1960, despite the deflationary impact of the Stabilisation Plan of 1959. However, industrial expansion was not achieved without a sharp rise in the level of inflation after 1954 and severe balance-of-payments problems from 1956 onwards (Carreras, 1984; García Delgado, 1987).

The marked upturn in Spain's economic fortunes after 1951, precarious though it was, coincided with the *Caudillo's* decision in July of that year to reshape his cabinet. In particular, the new Minister of Commerce, Manuel Arburúa, tried to facilitate an increase in specific types of imports. In an endeavour to stabilise food prices and eliminate the most glaring aspects of the black market in the countryside, the new minister permitted a significant increase in the price of foodstuffs. He also set out to eliminate a variety of problems, including low agricultural yields, bottlenecks to industrial production, energy shortages and communications problems, through imports of raw materials and capital goods. Later, after 1955, Spain experienced a pronounced increase in imports of semi-manufactures, clear evidence of previous improvements in the secondary sector. Yet despite hopes among economic liberals that he would open up the Spanish economy to outside competition, Arburúa remained firmly tied to the goal of import substitution. As a result, Spain's industrialisation policy continued to be underpinned by an assortment of protectionist measures, multiple exchange rates, and so on (Donges, 1976; Clavera *et al.*, 1978; Braña *et al.*, 1979; González, 1979; Viñas *et al.*, 1979).

In the short- and medium-term, the country's inability to generate a significant increase in export earnings to finance the necessary imports only served to emphasise the importance to the economy of American aid, especially during the middle years of the decade. Between 1951 and 1957, the United States furnished Spain with \$625 million of aid. It is generally accepted that America's generosity, while small by Marshall Aid standards, offered a vital breathing space to the Franco regime which might